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Near East and South Asia Review

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6 June 1986

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**Near East and
South Asia Review**

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Articles**Syria: The Terrorist Connection**

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Syria, long a major practitioner and patron of international terrorism in the Middle East, is directly implicated in the attempt to bomb an El Al airliner in London last April. Damascus could temporarily lower its terrorist profile in response to the El Al exposure, but it will not give up terrorism completely.

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Syria: Internal Unrest and Regime Stability

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The recent bombings and attempted bombings in northern Syria and Damascus do not threaten regime stability but give it an opportunity to crack down on domestic opposition groups and to deflect attention from Lebanon, where the attacks probably originated, by charges of Iraqi, Israeli, and US complicity.

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Syria: Government Resource Allocation and Political Stability

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A review of Syria's five-year national development plans and annual consolidated budgets for the past 25 years suggests that the Assad regime has retained its hold on power not by reallocating resources to traditionally disadvantaged groups but by avoiding changes in the status quo and maintaining an effective internal security structure.

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Lebanese Banking: Keeping the State Afloat

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As government authority in Lebanon has eroded, the banks have begun to play an increasingly critical role in financing government activities, bridging the gap between collapsing government revenues and soaring government expenditures. Lebanon's financial crisis cannot be overcome, however, without resolution of the political deadlock.

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The economies of the West Bank and Gaza are feeling the effects of the general recession in the Middle East. Although Jordan and Israel have recently shown more interest in spurring development in the territories, such efforts will take time to have effect. In the meantime, the territories' economic outlook is bleak.

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The willingness of Soviet leaders to devote greater attention to the Maghreb countries of North Africa—Tunisia, Algeria, and Morocco—stems from political developments in these states and the shifting power alliances in the region, but, over the medium term, traditional ties to the West will work against Soviet interests.

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Saudi Arabia and China are gradually improving ties despite the lack of formal diplomatic relations, but the major stumblingblock is Riyadh's longstanding relationship with Taiwan, which has significant economic ties to the kingdom and depends heavily on Saudi oil.

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Saudi Arabia's role as a consumer of and transit point for illicit narcotics has expanded despite official interdiction efforts, and Riyadh fears that established routes for contraband narcotics may become increasingly attractive as conduits into the kingdom for weapons and other subversive materials.

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The current regime in South Yemen has failed to consolidate its position and gain support either at home or abroad. Competing ambitions and internal rivalries within the collective leadership coupled with mounting security and economic problems may force another change in the government lineup.

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The brief resignation in May of Kuwait's Education Minister may be the opening salvo in a renewed battle between the government, dominated by members of the Al Sabah family, and the often obstreperous National Assembly. The Sabah government seems unsure of how to respond to the Assembly's attacks.

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The long-held assumption that Shias account for 55 percent of Iraq's population is probably incorrect. The proportion of Shias is more likely in the 60- to 65-percent range and slowly increasing, and, as the Shias come to realize this, they will demand a greater share of power.

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The Iran-Iraq war has placed enormous strains on the Iranian economic system, fostering the development of an extensive black market, but this unofficial, often illegal, economy has raised problems of corruption and other complaints that over time could erode popular support for the government.

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Chernobyl' and Nuclear Programs in the Middle East and South Asia

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Heavy publicity given to the Chernobyl' nuclear power station accident in the USSR has increased concern in the Middle East and South Asia about the safety of nuclear reactors, but it is unlikely to set back significantly nuclear power programs in the region.

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India: Back to the Golden Temple

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The assault on the Sikh Golden Temple on 30 April by police and paramilitary forces was better planned and executed than the Army attack two years earlier, but the failure to capture extremist Sikh leaders and continuing violence in Punjab have forced moderate Sikhs to admit that the Army may again have to be called in to maintain order.

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The Implications of Khalistan for Indian Defense Strategy

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An independent Sikh state of Khalistan would seriously undermine Indian defense strategy, cutting logistic routes to Jammu and Kashmir and blocking the Indian Army's preferred invasion route into Pakistan. If the Sikhs succeeded in seceding, India's strategy toward Khalistan would resemble New Delhi's military posture toward Nepal.

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Soviet and Afghan airstrikes into Pakistani territory have increased considerably during the past two months, but they are still confined to the border area. Islamabad is likely to use the attacks to justify requests for more advanced military equipment from the United States.

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Afghan party chief Najibullah is moving quickly to consolidate power, strengthening the party and the army, using his tribal ties to undermine the resistance, and launching a major effort to attract refugees back to Afghanistan. Despite his efforts, the regime will probably not make much headway because of party factionalism, a weak military, and no popular support.

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The Bangladesh parliamentary election, although tainted by fraud and violence, will provide some legitimacy for President Ershad as he moves toward a presidential election and the lifting of martial law later this year. Despite its unhappiness with the election outcome, the army will continue its grudging support for Ershad.

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The two largest Tamil insurgent groups are approaching a showdown in the struggle for dominance of the separatist movement. Even if New Delhi brokers a settlement between Tamil moderates and the Sri Lankan Government, insurgent rivalries and increased foreign support suggest that some insurgents will continue antigovernment attacks.

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Briefs

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views.

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Near East and
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Articles

Syria: The Terrorist
Connection

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Syria, long a major practitioner and patron of international terrorism in the Middle East, is directly implicated in the attempt to bomb an El Al airliner at Heathrow Airport on 17 April. We believe the decision to attack the El Al jet was taken at the highest levels of the Syrian Government, although we cannot establish President Assad's personal culpability. We believe that Assad's lieutenants would seek his approval before undertaking a major terrorist operation like the El Al affair. It is possible, however, that Syrian operatives acted without Assad's detailed knowledge.

Syrian Ba'th Party officials on 4 February. At

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the time, Assad said Syria would not act against civilian airliners because to do so would make Syria no better than the Israelis, whom he accused of air piracy and international terrorism. More recently Assad has blamed the United States as well as Israel for the incident, which he called "humiliating . . . (and) . . . dirty." The shootdown by Israel on 19 November of two Syrian MIG-23s in Syrian airspace may also have figured in Syrian calculations.

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The Assad regime uses or supports terrorism as one of several coercive instruments to advance Syrian goals. Syrian involvement in the attempt to bomb the El Al jet, however, is a departure from the methods Damascus has employed in recent years. Damascus has tended to use terrorism in a more disciplined manner and increasingly has relied on surrogate groups to avoid being directly implicated.

The attempt probably reflects Assad's evolving strategy of stepping up pressure on Israel to achieve psychological, as well as strategic, balance. Spectacular acts of terrorism against Israeli interests undermine the image of invincibility earned by Israel as a result of its stunning military victories over the Arabs during the last four decades. Terrorism is a component of the psychological war against Israel and demonstrates the ability of Israel's enemies to exploit its vulnerabilities.

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Syrian officials are concerned about the consequences of being linked to international terrorism and fear that Israel or the United States might attack Syria if Damascus is implicated in additional terrorist acts against Israeli or US targets. Assad's concern over the exposure of the El Al incident could lead him to lower Syria's terrorist profile, at least temporarily. Damascus will not give up terrorism completely, however, and will continue to target Arab and Israeli interests that block the attainment of Syrian goals.

The Syrians view terror as part of the struggle to achieve parity with Israel and believe it has worked to erode Israeli will, especially in Lebanon. Syria's sponsorship last year of numerous suicide operations against Israeli targets in the southern Lebanese security zone did not spark Israeli retaliation. Damascus apparently views Israel's failure to attack Syrian missiles in Lebanon or to respond to gradual Syrian military encroachment in the southern Bekaa Valley as evidence of weakening Israeli will.

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Motives

Syria's rationale for the El Al attack is unclear, but we believe Damascus was attempting to avenge Israel's interception of a Libyan jet carrying senior

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Syrian officials may have been prepared to increase pressure on Israel through a spectacular operation like the El Al plot in the belief that they could get away with it or absorb any retaliation if the Syrian role was discovered. Assad probably calculates that Syria's strong air defenses, the political risks of a Syrian-Israeli war, Damascus's close ties to Moscow, and the presence of US hostages in Lebanon insulate Syria from major direct retaliation by Israel or the United States. []

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An Israeli attack on terrorist training camps in Lebanon, moreover, could provide Syria with an opportunity to improve its strategic position in the southern Bekaa Valley, where it has been cautiously inching its lines closer to the Israeli-controlled security zone. Last November, Assad exploited the Israeli shootdown to deploy surface-to-air missiles in and near Lebanon, which have effectively halted Israeli air operations over eastern Lebanon since then. He may believe he can repeat this success. []

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Patterns in Syrian Terrorism

The Assad regime uses or supports terrorism as one of several coercive instruments to advance Syrian goals. When diplomacy fails, Assad uses assassination and intimidation to raise the cost to other states of pursuing policies inimical to Syrian interests, to keep opponents off balance, and to extract financial support. Syrian involvement in terrorism has undergone a fundamental shift in recent years as it has moved away from direct involvement in terrorist acts in favor of using surrogate groups that enable Damascus to avoid being directly implicated. []

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Before 1983, most Syrian-instigated terrorist operations were carried out by Syrian operatives. The principal targets of these operations were members of the Muslim Brotherhood or other opponents of the Assad regime at home and abroad. Attempts to use the regime's personnel resulted in significant embarrassment through bungled operations and public exposure of direct Syrian participation. In February 1981, for example, an attempt to assassinate the Jordanian Prime Minister resulted in the televised confessions of the would-be assassins—members of the elite Defense Companies then under the command of Assad's brother Rif'at. []

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The great majority of the 70 terrorist attacks involving Syria from 1983 through 1985 were conducted by surrogate groups and directed at Jordanian, moderate Palestinian, and other non-Syrian targets. Palestinian radicals have carried out most of these operations with Syrian support and in some cases at Syrian direction. We are aware of only two attacks during this period that directly involved Syrian operatives. These were assassination attempts directed against individuals who allegedly changed their allegiance from Syrian-supported radical Palestinian groups to Arafat's Fatah. []

The level of control exercised by Syria over Palestinian radicals varies. Sai'qa, at one extreme, is so controlled by Damascus that it is in effect an arm of the Syrian state. At the other extreme is the Abu Nidal group, which seeks to advance aims that generally parallel Syrian goals but conducts its operations in a largely autonomous fashion, including selecting of its own targets. []

Military intelligence personnel and Syrian diplomats overseas play a significant role in terrorist operations. Members of the staffs of Syrian embassies in Kuwait, North Yemen, Morocco and Cyprus—and now the United Kingdom and East Germany—have been implicated in terrorist and related intelligence activity. The Syrians use diplomatic facilities to transport weapons, explosives, and other equipment abroad. The Foreign Ministry has facilitated the movement of terrorist squads into and out of target countries, and Syrian missions abroad offer sanctuary and security for planning and organizing operations. Syrian support for surrogate groups abroad probably is less extensive than in operations using Syrian personnel, but Damascus provides weapons, travel documents, and intelligence support for these groups. []

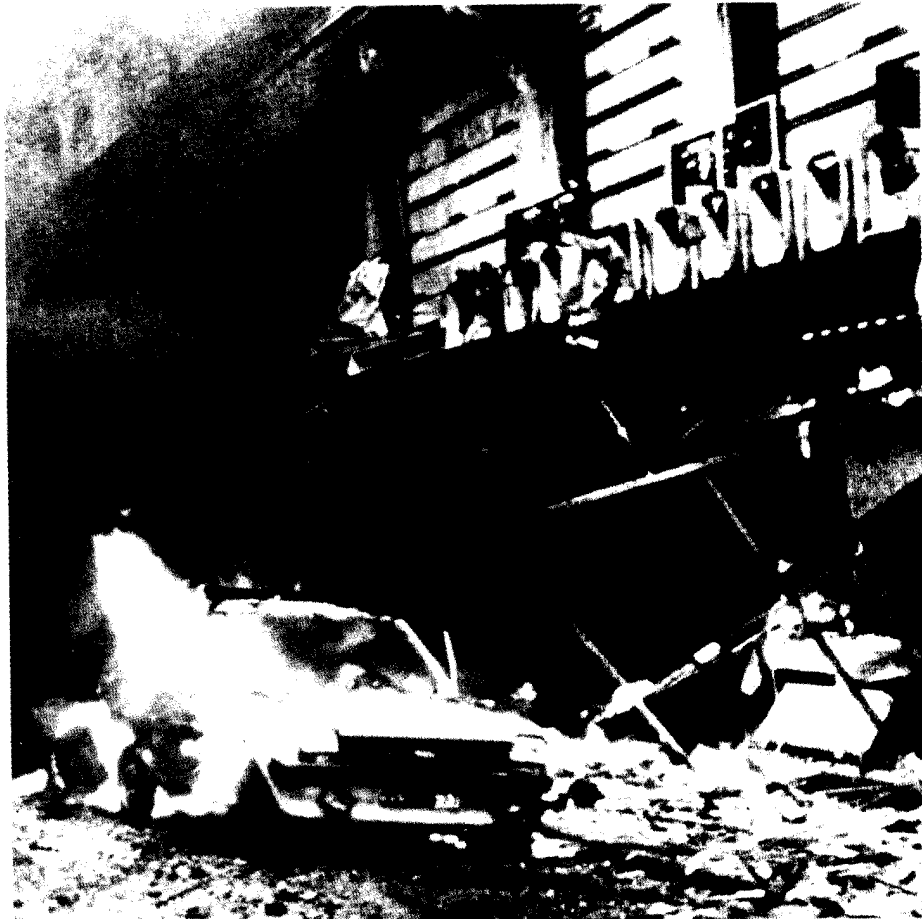
The El Al Incident: Disturbing Anomalies

The El Al incident provides the first good evidence linking Syria directly to a major terrorist operation that could have resulted in the deaths of a large number of non-Arab civilians. The most dramatic prior incident against non-Arab civilians in Europe

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Syrian bombing of anti-Assad
newspaper office in Paris, April
1982 [redacted]



Paris Match ©

occurred in September 1973 when Sa'iq'a terrorists hijacked an Austrian train carrying Soviet Jewish emigres to a relocation camp. [redacted]

[redacted] Israeli policymakers were so riveted on this incident that they overlooked indications of Egyptian and Syrian war preparations. [redacted]

Syrian involvement in the attempt to bomb the El Al jet is a departure from the methods Damascus has employed in recent years. In terms of support for terrorism, the El Al incident follows patterns that are typical of Syrian attacks against Arab targets, but the target itself is atypical of operations carried out with close Syrian support. [redacted]

Damascus has tended to use violence in a fairly disciplined manner—that is, carefully targeted terrorist actions are designed to achieve specific ends. Attacks on Israeli interests and citizens fall within Syria's definition of acceptable targets. Had the El Al attempt succeeded, however, it would have killed non-Israelis as well—230 US citizens were on board—and would have been more akin to the attacks at the Rome and Vienna airports last December—acts from which Syria has sought to distance itself. [redacted]

In view of El Al's meticulous security procedures, it was unusual for Syria to sanction such a bold attack. The planners of the operation apparently believed the

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The surviving terrorist from the attack on the Rome airport in December 1985 has recently implicated Syria in the operation. [redacted]

the United States and encourage US restraint of Israel. The Jordanian Prime Minister asked Assad if it was possible that Syrian intelligence agencies were engaged in significant operations that the President did not personally know about. After a long pause, Assad responded that he did not think so. [redacted]

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El Al: Part of a Trend?

The anomalies of Syrian involvement in the El Al incident may be more apparent than real, indicating that Damascus has in fact altered dramatically its guidelines for the use of terror. [redacted]

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spectacular nature of the act was worth the risks. Moreover, they may have believed Libya would be blamed if the bomb exploded and that the attack would be viewed as a response to US actions against Qadhafi. [redacted]

Who Gives the Order?

We believe that Syrian support for or involvement in terrorist operations is authorized—at least in general terms—by President Assad. [redacted]

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[redacted] We cannot be certain about the level of detail Assad requires of his subordinates, and security officials operating under general policy guidelines may occasionally overstep their authority. [redacted]

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We believe that an operation of this magnitude, especially one that involved Syrian diplomatic personnel, was authorized at the highest levels of the Syrian Government. Nonetheless, the many anomalies surrounding the El Al incident raise doubts about the extent to which senior Syrian officials, including Assad, were informed about the operation. Assad went to great lengths in a discussion of the El Al incident with King Hussein to deny Syrian involvement in the planning or execution of the attack. Assad told the King that if the bomb had exploded, it could have meant war with Israel—an alarmist view that may have been intended to reach

To date there is insufficient evidence to confirm a trend toward greater Syrian involvement in international terrorism, but circumstantial evidence appears to be mounting. According to press reports, the surviving terrorist in the Rome airport attack last December says he was trained in Syrian-occupied Lebanon and escorted to the Damascus airport by Syrian soldiers. Syrian support for the Abu Nidal organization—which is bankrolled by Libya but maintains offices in Damascus and training camps in Syrian-controlled areas of Lebanon—raises the

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possibility of Syrian complicity in all acts carried out by the group. We continue to believe that Abu Nidal operates fairly independently in terms of selecting its targets. Nonetheless, many Abu Nidal actions parallel Syrian interests, suggesting that direction for some operations comes from Damascus. []

Outlook

The El Al incident—and the possibility of Syrian complicity in other terrorist acts in Europe—raises disturbing questions about Syria's use of terror as an instrument of foreign policy. A decision made at the highest levels of the Syrian Government to bomb the El Al jet suggests Syrian willingness to become directly involved in high-risk terrorist spectacles designed to maximize casualties. A decision taken at lower levels raises questions about Assad's control and oversight of his extensive intelligence network. []

We cannot establish Assad's personal culpability in the El Al incident, although we believe Assad's lieutenants would seek his approval before undertaking a major terrorist operation like the El Al affair. Assad is a workaholic who for 15 years has maintained a tight grip on all aspects of governing Syria. He personally approves all military promotions above the rank of major and receives daily updates on Syrian oil production. We believe that Assad continues to be firmly in control and do not see signs that his health is interfering with his ability to govern. []

[] Possibly he has chosen to delegate more responsibility than in the past to trusted lieutenants such as Muhammad al-Khuli and reduced his oversight of some activities. []

Syrian officials are alarmed about being caught red-handed in the El Al affair and are worried about the consequences of Damascus's being linked to international terrorism. Following the US airstrike on Libya, Syrian officials feared that Israel or the United States might launch similar attacks on Syria if Damascus were implicated in terrorist acts against Israeli or US targets. The Syrian Army has been on alert since the US airstrike on Libya in April. []

Syria's future level of involvement in terrorism against non-Arab targets almost certainly will depend on Assad's estimate of the costs of the El Al incident. We believe international censure is likely to influence Assad to a greater extent than it does Qadhafi in his terrorist behavior outside the Middle East. Nonetheless, Syrian efforts to improve its image and demonstrate its antiterrorist credentials are likely to be cosmetic. []

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If Damascus is sufficiently concerned over the exposure of the El Al incident, Assad might reduce Syria's terrorist profile in Europe and against non-Arab targets. As a first step, Assad could limit Abu Nidal activities or at least increase control over operations not directed at Arab targets. Assad has stated publicly, however, that he will not restrict public relations or cultural functions of any Damascus-based Palestinian group. []

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As a result of the El Al exposure, Damascus may well proceed cautiously in its sponsorship of future terrorist attacks in Europe and against non-Arab targets. We expect control of terrorist operations will be increased, and it is unlikely that the Syrian hand will be so clearly detected in the future as it was in the El Al affair. []

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Damascus, however, will not halt its use and sponsorship of terrorism as long as Syrian leaders believe they run little political risk. Damascus will continue to use terrorist tactics to maintain its dominance in Lebanon, thwart substantive movement toward peace negotiations between moderate Arabs and Israel, exert control over the Palestinian movement, and eliminate dissidents—actions that Syria does not view as terrorism but as a legitimate exercise of state power. []

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Syria: Internal Unrest and Regime Stability []

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A rash of bombings and attempted bombings, primarily directed against public transportation, has hit northern Syria and Damascus. We do not believe these incidents pose a serious threat to President Assad's otherwise stable and firmly established regime. The Syrians have officially blamed Iraqi-supported elements of the Muslim Brotherhood for the recent bombings, although reliable information indicates Syrian officials believe that Lebanese Christian elements are responsible. Damascus probably finds it more politically convenient to focus its anger and rhetoric against its Iraqi enemy than to stir up questions about its role in Lebanon and the implications for Syrian internal security. []

Syrian official reaction to this wave of attacks has been swift and apparently effective. Security forces moved against the usual suspects, including Palestinians and Christians, arresting many individuals suspected of antiregime activity whether or not they were suspected in the bombing incidents. The Syrians also prepared to launch a major campaign against Christian elements in Lebanon in response to these attacks, [] but postponed the attack when Syria's Lebanese Muslim allies were slow to cooperate. []

The Wave of Terrorist Bombings

After several years of relative freedom from terrorist attacks on its own soil, terrorist bombings of public transportation vehicles, frequently carrying military personnel, struck Damascus and northern Syria this spring. Rumors of bombs and explosions were thick in Damascus in late April, and, although some of these reports were untrue, evidence indicates that the bombings were extensive:

- 13 March—A refrigerator truck exploded under a bridge in the Al Qabun district of Damascus as a chartered bus carrying personnel from the Military Officers' College crossed.

- 14 March—The US Embassy in Damascus reported persistent rumors of a second, smaller car bomb explosion in the Qabun area.

- 16 April—Several incidents were reported by the press, the US Embassy, [] with more than 100 people killed:

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- Three buses carrying military personnel exploded near Hims.
- Two buses carrying military personnel exploded in Tartus.
- Two buses carrying both civilian and military personnel exploded in Aleppo.
- One bus exploded in Latakia.
- A bomb went off on a train between Aleppo and Latakia.
- Two bombs were defused in President Assad's residence compound in Damascus.
- Explosions were reported, but not confirmed, in Tartus, Baniyas, and Safita.
- A bomb was disarmed in the Damascus souk.

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- 21-22 April—The US Embassy reported another round of rumors about terrorist attacks, including:
 - One bus between Damascus and Dara (near the Jordanian border) exploded.
 - One bus in a northern Damascus suburb exploded.
 - A bomb went off on a train between Damascus and Dara.
 - Two satchels of explosives were discovered at Damascus University.
 - A bomb inside a portable cassette recorder at a Damascus movie theater was defused.
 - Bombs were discovered and disarmed on two school buses in Damascus.

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- 3 June—The US Embassy reported that a large bomb exploded in the Damascus central shopping area at the Gulf Arab Tourism and Travel Organization Building. []

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[redacted]

[redacted] As many as 70 percent of those struck by the attacks were Alawites, most of them members of the Syrian armed forces, although other individuals were also killed or wounded. In all, according to Syrian public comments, more than 150 people were killed in the attacks. [redacted]

The Scapegoats

Syrian security forces are clearly concerned about the ability of the perpetrators to continue these actions. According to the US Embassy, Syrian authorities are angered over the bombings but apparently do not believe there is a serious threat to the regime. [redacted]

[redacted]

[redacted] There have been show trials, and one man, who claimed that Iraqi intelligence was behind the plot, was hanged for his involvement in the 13 March Al Qabun bombing. We believe these trials are primarily intended to generate support for Assad's foreign policies, especially his backing of Iran in its war with Iraq, which is not popular in Syria. [redacted]

In assessing blame for the incidents, Damascus probably feels compelled to counter rumors that any internal group was responsible in order to protect the illusion of the Assad regime's overriding popularity, deflect speculation that any group in Lebanon was responsible to protect Syria's policies and primary role in that country, and pin the blame on Iraq to further justify Syrian support for Iran. The Syrian press was quick and vehement in its attack against the Iraqi Government after the Al Qabun attack, but initial Syrian public opinion reflected considerable skepticism—including the idea that the incident was a government setup—according to the US Embassy. [redacted]

The show trials of Muslim Brothers supposedly responsible for the mid-April bombings are part of the political theater staged to highlight Iraqi Government support for antiregime activities in Syria. In a classic case of Syrian paranoia, the 16 April bombings have been officially attributed to Muslim Brothers supported by Iraq and used by Israel and the United States as part of their preparations for retaliation against Syrian support for terrorism abroad.

Syrian Reaction—Behind Closed Doors

After conducting a series of searches and making numerous arrests, the Syrian Government became convinced that the Phalange and the Lebanese Forces were behind the recent bombings. In light of suspicion that the small Maronite Christian community in Syria aided the Lebanese factions in the bombings, [redacted] beginning on 24 April, Syrian security forces conducted a house-by-house search of the predominantly Christian districts of north-central Syria. A large number of Christians were arrested, and many fled before the search began, further fueling official suspicions.

[redacted] In the aftermath of the bombings the Syrian authorities set up a new network of security checkpoints on major highways to screen vehicles for explosives, to control personnel movements, and to provide a visible and presumably reassuring sign that the security forces are working to prevent further incidents. [redacted]

Since late April there have been intense security patrols in the areas of Damascus heavily populated by Christians and Palestinians. The US Embassy reported a "major shootout" in southern Damascus on 26 April, when security forces discovered a nest of suspects- [redacted]

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Syria's Christian Minority

Christians compose about 10 percent of Syria's population; the rest are Muslims. The Christian community is divided among 12 sects including Maronites, Greek Orthodox, and Greek Catholics. Traditionally, Syria's Christians were found primarily in urban areas—at independence they were a quarter of Damascus's population—but now the urban Christian-Muslim balance is closer to the national one. There have been occasional hints of Lebanese Christian subversive activities inside Syria in the last decade, but the recent bombings are the best indication to date of any success. Nonetheless, probably only a small minority of Syrian Christians have ties to the Lebanese Christian militias.

attempt to take control of the PLO, and Syrian backing for Lebanese Shia Amal attacks on Palestinian camps in Lebanon have given Palestinians in Syria grounds for action. Moreover, Syria's Muslim Brotherhood has been brutally repressed over the past several years, particularly in Assad's bloody campaign in Hama in 1982.

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What Next?

The recent wave of terrorist attacks against public transportation may give rise to further Syrian housecleaning of opposition groups that may be even remotely implicated in antiregime activities. Additional crackdowns on suspected Christian, Palestinian, and Muslim Brotherhood supporters in Syria are likely. The Syrian Government has apparently already arrested many more people than it believes are responsible for the bombings.

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The current campaign against Iraq, Israel, and the United States in the Syrian press comes at a time when already strained relations between Syria and Israel have been worsened by indications of Syrian complicity in an attempt to bomb an El Al aircraft in London. The Syrians apparently fear repercussions from this incident and have repeatedly referred to the internal bombings as the first part of a retaliation conspiracy by Israel and the United States. The fear of retaliation, compounded by deep-seated concerns over possible Israeli attack, will keep Syrian internal security and military forces on high alert for some time, perhaps making future bombings more difficult.

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In the meantime, Lebanon is experiencing a spiral of terror and retaliation as the Syrians and their surrogates contend with the Christian Lebanese Forces. For the past several weeks anti-Christian activity in Beirut has increased notably. For example, a car bomb exploded in East Beirut on 23 May killing six people and wounding 55 others.

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Although it is unclear whether the increased violence is in direct response to Syrian suspicions of Lebanese

Given the conviction of Syrian security officials of Lebanese Maronite responsibility for the attacks, Damascus is determined to retaliate. Damascus planned a large-scale, coordinated attack against the Maronite Christian enclave in Lebanon to take place in late April. Those plans have been postponed, probably because Syria's Muslim allies in Lebanon were not eager for the offensive.

The government has good reason to blame the Lebanese Christians, as they have numerous grievances that could lead them to carry out terrorist actions. Syrian support for the tripartite security agreement in Lebanon and the shelling of Christian communities by Syrian surrogates has no doubt encouraged the formation of radical Christian factions willing to operate against the Syrian Government. Other external elements may have assisted the Christians for their own reasons. Assad's refusal to deal with PLO chief Arafat, Damascus's

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Christian involvement in the bombings or in response to general Christian unhappiness with Syria's Tripartite Agreement for Lebanon, the trend is likely to continue and perhaps increase in severity. As the Lebanese Forces' response becomes more intense, so will Damascus's ripostes, perhaps leading the Syrian military to step in and attack the Christian enclave.

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Syria: Government Resource Allocation and Political Stability

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A review of Syria's five-year national development plans and annual consolidated budgets for the past 25 years suggests that a major aspect of the conventional wisdom on President Assad's minority Alawite regime is false. Analysts have long assumed that Assad has retained his hold on power in part by reallocating resources to traditionally disadvantaged groups. The documents, however, tell a different story. The regime claims a preponderant role in investment for development but has mobilized few resources to redistribute wealth. Assad has benefited from the stabilizing consequences of the redistributive efforts of his predecessors, but, at best, he has been able only to maintain a steady state in the welfare of rural and minority groups.

The portrait of Assad that emerges from these documents is of an intensely conservative leader preoccupied with security. Assad's Alawite regime so far has added nothing to the values and policies it inherited when it seized power. Ironically, its only innovation has been mild corrections to the radical Ba'thist measures implemented in the 1960s. Syria's postindependence social and political revolution took place before Assad's arrival on the scene. Strengthened by the security organs he has constructed, the regime's political and social orientation is likely to survive his passing.

Government and Resource Allocation in Syria

The state has claimed a preponderant share of investment in the Syrian economy since the early 1960s. In the First Development Plan (1961-65), the government claimed 63 percent of investment, leaving the private sector 37 percent. In the Second Plan (1966-70), the public-sector share increased to 70 percent. It increased again in the Third Plan (1971-75), to 80 percent, and has remained at about that level for the Fourth (1976-80) and Fifth (1981-85) Plans. This is an extraordinary share of development investment to be in the public domain.

Adjusted for inflation, the amounts represented by these shares suggest the regime has accomplished little in the role it has arrogated to itself. The last three five-year plans have projected slowing, then stagnant, national development. Real planned investment per capita is roughly the same in the Fifth Plan as in the Fourth, given both inflation and an annual population growth rate of over 3 percent. In any event, no plan has ever achieved its targets, and, despite the more modest goals, it seems unlikely that the Fifth Plan will attain even the declining levels of its two predecessors.

A look at the annual consolidated budget—which provides the means for implementing the development plans—points to one source of the regime's poor record in development investment: the diversion of resources to other uses. By far the largest share of the budget has been expended for national security, with the levels rising dramatically in each five-year period since 1970. In contrast, a decreasing share of the consolidated budget has been devoted to development—diminishing to 43 percent in 1984.

In other words, as reflected in the planning documents, the Syrian Government—which claims a preponderant role in investment for development in the national economy—is committing a diminishing share of a diminishing pie to development. When adjusted for population growth, expenditures per capita since 1980 have decreased by 23 percent, and, given its diminishing share of the whole, the decrease in development expenditures would be correspondingly greater.

When 55 to 60 percent of current expenditures are absorbed annually by the Ministry of Defense, when many other government expenses are fixed or inelastic, when a large portion of the labor force is tied up in nonproductive activity, and when infrastructure is damaged seriously and territory lost in war, it is easy to see how the regime may have had

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few resources to distribute. Added to all this, when inflation rates are high, when foreign aid fluctuates, when the population growth is steadily one of the highest in the world, and when the productivity of the economy slows and then declines, a compelling combination is created for developmental stagnation.

The Assad Regime in Historical Perspective

The record of Syrian Government performance in development and resource reallocation suggests that Assad has not maintained stability through redistributive allocations to disadvantaged groups. On the contrary, looking over a longer timespan, Assad appears to have avoided disturbing in any fundamental way the allocations he inherited. The stability of the Syrian political system under Assad, the record suggests, has been built at least in part on the stabilizing consequences of redistributive allocations carried out before Assad's arrival on the scene. The destabilizing consequences of these redistributive allocations had been largely played out by the time Assad took over.

Periods of political stability and instability in recent Syrian history can be matched fairly closely with the intensity of government efforts to reallocate resources in society:

- The Syrian regime controlled relatively few resources from independence until its entry into political union with Egypt in 1958. The political changes of this first decade amounted to contests over who would control the instruments governing the allocation of resources. There were multiple constitutions and numerous turnovers from within an established elite.
- The nine years immediately after the termination of the union with Egypt, from 1961 to 1970, were the most disturbed in modern Syrian political history. Almost the whole political system was implicated, and anarchy was near. Concurrently, great and rapid changes in the sectoral shares of national investment occurred. These were the years of land and tenancy reform, of expropriation, of nationalization, of new controls and regulations, and of the destruction of the power bases of the old oligarchy. These, in short, were the years of drastic redistribution.

- That redistribution was "corrected" in 1970 with Assad's coup and the installation of the minority Alawite regime. Sheer momentum and the lagging process of implementation carried the earlier reforms forward for a few years. But, beginning in the mid-1970s, their redistributive features gradually faded until they have almost disappeared. Since about 1980 the regime has barely sustained even the preceding distributions. Looking at the record, one sees this as the period of Syria's greatest political stability.

Assad has benefited from the efforts of his predecessors on several counts: Syria's revolution was largely accomplished by the time of his takeover, he could pragmatically "correct" some of its remaining abuses, and the regime could then devote a large share of the available resources to higher priorities of defense and security.

A Portrait of Hafiz al-Assad

Assad's "revolutionary" credentials are thin to nonexistent. The Alawite regime has not expanded the land reforms introduced by its predecessors, nor has it extended the nationalization of other means of production. As indicated by resource allocations to key social sectors, education, and health, maldistributions between urban and rural settings and among rural ones continue.

The portrait of Assad that emerges from a review of policies during his tenure is of an intensely conservative leader preoccupied with security. In effect, these documents suggest the peasant in Assad. Although his cool brinkmanship, sophisticated mien, and ability to survive hardly suggest a dull, plodding, risk-adverse tiller of the soil, in fact the regime reveals a good many peasant-like qualities in its leader:

- The conservatism of the Alawite regime is apparent in its failure to add anything to the values and policies it inherited when Assad seized power. Its only innovation has been to retreat from some of the more radical policies implemented by Assad's predecessors.

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- Innumerable events document the regime's pervading pragmatism. The loss of a war and Syrian territory to Israel were interpreted less as a humiliating defeat than as an opportunity to rebuild, with better armaments, and to improve training and strategy. Deals have been struck with improbable partners for needed aid and resources. The regime can make marginal adjustments, accept incremental solutions, and bide its time. This last characteristic, patiently waiting for the right moment, has been the hallmark of Assad's regime.
- Remarkably, through all the wheeling and dealing, no one has been permitted the impression that the Alawite regime is a puppet or a dependent regime. It has been truculently autonomous. Although it has had to go back to the Soviet Union and Eastern Europe repeatedly for aid and replenishment of lost armaments, it has remained independent.

Implications for Stability in Syria

Syria's social revolution—the "second Arab awakening"—took place in the years before Assad's takeover, creating a social order that will survive Assad's passing from the scene. Assad's health is uncertain, and the destabilizing effect of a succession struggle has already been illustrated in the open confrontation between Rif'at al-Assad and his opponents in 1984. Such a struggle, however, would be brief and confined to the regime's own establishment.

Again, a historical frame of reference is useful:

- Upon independence in 1946, Syria displayed most of the economic, social, and political consequences of colonialism. A small population, based mainly in the urban centers of Damascus and Aleppo and consisting principally of Sunni Muslims, owned or controlled most things valued in Syrian society: land, trade, education, status, opportunity, and well-being. They were the regime.

- In the meantime, a political revolution has occurred, one not so much achieved as conserved by the present Alawite regime. The regime's loyalists occupy the dominant positions of power. The old Sunni landowner/mercantilist/urban power structure has been sundered. Plausible challengers, such as the Muslim Brotherhood, have been crushed or intimidated. The internal security system operates with devastating effectiveness. Popular discontent with official corruption exists, but it is subdued and the regime is taking steps to control it.

The structure of the regime that replaced the Syrian order as it existed at the time of independence has been conserved under Assad and can be passed on to his successors. The three main centers of political power are the presidency, the military, and the Ba'th Party. The only effective center is the Ba'th. But it is hardly a monolith. It is a highly pluralistic body consisting of members with widely divergent backgrounds and political views. The military is as open as universal compulsory service indicates. Anyone can, and must, serve. Anyone may also rise through it.

The pluralistic character of the regime strengthens the possibility that once Assad departs the scene, the key players remaining will fight briefly among themselves for predominance, but the basic order will remain unchanged. The government is constitutional, with legislative, executive, and judicial branches, albeit with formidable powers allocated to the presidency. The president is elected by referendum, the legislative People's Council is chosen by universal suffrage, local governments with elected councils exist, and a High Judicial Council affords some protection to the independence of judges. Political and civil rights are regarded as sufficiently precious to be afforded constitutional status. In the spectrum of developing nations, this is an uncommonly responsive and responsible political format.



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Lebanese Banking: Keeping the State Afloat

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As government authority in Lebanon has eroded, the banks have begun to play an increasingly critical role in financing government activities. Over the past three years, commercial banks have assumed a larger role in financing Lebanon's growing budget deficit through expanded treasury bill subscriptions. Political stalemate and the poor security situation have reduced the government's sources of revenue, while spending, especially for current consumption, has continued to grow. As external financing has dried up, internal financing has gained importance and put the banking system in a crucial position.

The government's increasing appetite for private savings has increased tension between the Treasury and the Central Bank. Expanded regulations and government intervention in Beirut's foreign exchange market have weakened several Lebanese banks and actually driven down the Lebanese pound's exchange rate. A recent compromise between bankers and government authorities, however, points to greater stability in the industry and a partial return to more liberal bank regulations.

Weakened Government Finances

Despite 10 years of civil war and a shrinking domestic product, Lebanon's banking sector has many strengths, but recent government measures threaten those strengths. Beirut's resourceful banks continue to attract funds, and pound-denominated deposits in the banks remain high at over 60 billion pounds. In addition, Embassy reports indicate dollar deposits in Lebanon of about \$3 billion and dollar holdings by Lebanese abroad of \$10-20 billion. Despite these potential assets, the government is experiencing a severe financial crisis, sharpened by its inability to address the problem. The government's growing fiscal deficit and reckless intervention in the foreign exchange market have reduced foreign exchange reserves to about \$300 million. The pound has fallen dramatically since April, and the Central Bank is refusing to honor Treasury checks.

The breakdown of authority and political discipline in Lebanon accounts for the present financial crisis. Revenues are devastated, and the Gemayel government is powerless to enforce their collection:

- Tax collection has fallen as most companies refuse to pay taxes unless the government provides basic services. Virtually the only group paying taxes is government employees.
- Smuggling has slashed customs revenues—once accounting for half the government's revenues—to practically nothing. Illegal ports, including the largest at Tripoli and Juniyah, now handle the bulk of Lebanon's imports.

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Meanwhile, government spending has skyrocketed, mainly because of extensive subsidies for wheat and petroleum and a bloated government payroll. Despite a lower oil import bill, Central Bank officials estimate a 9-billion-pound petroleum subsidy for 1986, according to Embassy reporting. The civil servant payroll also remains intact, although only about half of the state's employees report to work. The budget problem was compounded in April when wages for all state employees were increased by an average of 25 percent retroactive to January 1986.

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As revenue has declined, the government's expansionary fiscal policies have been financed primarily through increased public debt. Total public debt in March reached 53 billion pounds, a 17-percent increase since last December. Because commercial bank purchases of debt have not increased this year, Central Bank funding of the fiscal deficit—through treasury bill purchases and rediscounting of existing debt—has moved from 25 to 44 percent of the total, according to the US Embassy in Beirut. We estimate inflation was about 70 percent by the end of 1985, and it will be much higher this year if the government is

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Secret**Lebanon's Public Finance System**

Public debt serves many purposes in the Lebanese economy. It absorbs excess liquidity in the banks and nominally supports the exchange rate by raising interest rates for Lebanese pound deposits. The Treasury is charged with financing public-sector deficits by borrowing from the Central Bank or issuing securities to the public via the commercial banks. Short-term treasury bills offer bankers one of the few remaining fairly secure and legal means for profit, and in 1985 commercial banks covered the entire government deficit of 18.1 billion pounds, according to the IMF. []

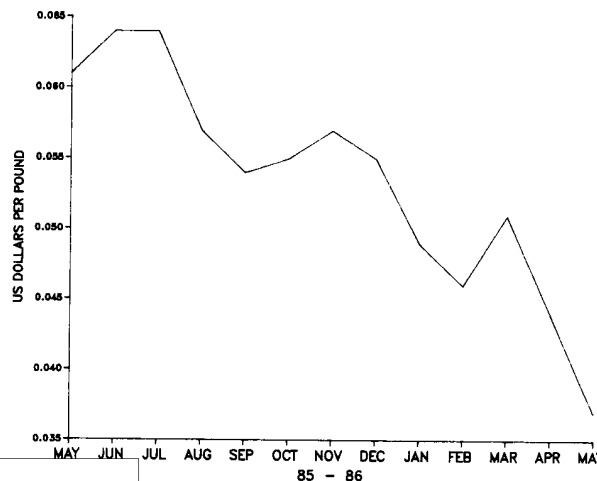
In 1980 the government began promoting treasury bill sales to Lebanon's commercial banks by offering relatively high yields, which were fixed periodically by a special committee. There is presently a controversy between the Central Bank, which wants to raise interest rates to attract more funds, and the Treasury, which wants to limit debt service costs. According to preliminary IMF data, interest costs on outstanding debt in 1985 exceeded total government revenues. Political stalemate has stalled an increase in the treasury bill rates—presently about 21 to 22 percent—to compensate for high inflation.

Commercial banks have responded to the uneconomic rates by cutting purchases of treasury bills in the past six months, forcing the Central Bank to buy billions of pounds of the shortfall. []

forced to print money rather than borrow to cover the spending. The government's growing appetite for borrowed funds has created controversy between the Treasury and the Central Bank, which in turn has put pressure on the commercial banks:

- Lebanon's 1986 government budget was never approved by parliament. Without a budget, the Central Bank is refusing to honor government checks where there are no funds in ministerial accounts.
- Central Bank loans to the public sector reached their legal limit (18 billion pounds) in May. Despite

LEBANESE POUND EXCHANGE RATE



parliamentary approval to increase the limit, Bank Governor Niam has publicly refused further advances.

- Central Bank efforts to manage the fiscal deficit have resulted in coercive measures to oblige commercial banks to expand purchases of treasury bills. []

As the government financial apparatus has bogged down, there has been a concomitant decline in the Lebanese pound—from about 20 to 31.5 per US dollar since January. Central Bank intervention to support the pound has only weakened it further, because its dollar reserves are inadequate to effectively bid up the value. The fall mainly represents the banking sector's eroding confidence in the government's ability to break the political stalemate and control spending. In addition to fueling speculation against the pound, the situation has encouraged many Lebanese to hedge by converting pound-denominated bank deposits into dollar accounts. []

The Commercial Banks' Role

The Lebanese Government has traditionally relied on its strong banking system to absorb budget deficits.

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Commercial banks are the sole intermediary for the government's principal form of debt—short-term treasury bills—and most large banks' portfolios are dominated by treasury bills. The US Embassy in Beirut estimates that nearly 37 billion pounds of the 60 billion in deposits in Lebanese banks are held in the form of treasury bills. []

As economic activity has declined and most foreign banks have left Beirut, an increasing share of Lebanon's commercial bank pound deposits have gone into government securities. Treasury bills now represent virtually the only active capital market in Lebanon for banks to invest pound-denominated deposits. In addition to holding debt, many smaller banks have sought profits through currency speculation or financing illegal trade. Banks continue to receive substantial capital inflows, including Palestinian funds, external support for militias, remittances from overseas Lebanese, and receipts from illegal exports to Syria and drug trafficking. []

Over the past year, banks have been reluctant to continue financing public debt. Commercial banks already hold about 60 percent of their portfolios in treasury bills, but the relatively low yields of about 22 percent—in light of 70-percent inflation—have forced banks to look elsewhere for profits. As a result, Central Bank authorities have tried to force banks to maintain treasury bill purchases through higher reserve requirements and treasury bill subscription requirements of up to 70 percent for large banks. The Central Bank's intention is to decrease bank liquidity used to speculate against the pound and to shore up the exchange rate and prevent capital flight. []

The Central Bank's strong-arm approach against the banks has been largely ineffective. The unanticipated response to the cut in bank liquidity was a fall in treasury bill purchases. According to the US Embassy in Beirut, treasury bill subscriptions have fallen by 1.5 billion pounds this year. In addition, banks have circumvented regulations and boosted liquidity through interbank loans and reduced purchases of 12-month treasury bills in favor of more liquid three-month bills. The regulations actually destabilized the banking system by reducing credit available for industry and possibly forcing some banks to call good loans to raise liquidity. []

Bank Crisis Resolution?

The banking conflict peaked with the Central Bank's move in February to sell treasury bills directly to the public, bypassing the banks to capture extra funds outside the financial system. This was an unrealistic alternative, however, because the government does not have the facilities for selling debt to the public without bank intermediation. Moreover, banks could simply increase interest rates paid on deposits to retain private savings because the difference between bank deposits and treasury bill yields is relatively small. []

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According to Embassy reporting, an agreement was reached on 29 May between the Central Bank and commercial banks to loosen restrictions and allow banks greater flexibility to manage their assets:

- Reserve requirements were reduced from 22 to 10 percent in cash with no interest.
- Penalties on reserve shortfalls were reduced from 365 percent to 120 percent.
- Rediscounting was resumed to allow banks to absorb interest rate fluctuations.
- Large banks—those with over 1 billion pounds in deposits—are required to hold 30 percent of deposits in treasury bills rather than 70 percent as specified previously. Smaller banks must hold 15 percent.

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Outlook

The banking system will probably be unstable as long as government finances remain out of control. The government's budget deficit and the falling pound will probably put further pressures on commercial banks. We believe the pound will continue its slide as bankers and speculators anticipate the Central Bank's intervention efforts. Moreover, in our judgment, the weakened pound will continue to induce many Lebanese to convert pound deposits to dollar deposits, putting further pressure on Central Bank reserves. []

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Lebanon's financial crisis cannot be overcome without resolution of the political deadlock. Authorities must restore bank confidence in government fiscal and monetary policies before Lebanese assets begin to flow back into the country. In the near term, interest rates would have to float or be raised to a more realistic level to attract more funds. It is unlikely the parliament and the Treasury would be willing to endure the unsettling effects of economic reform, and necessary measures are likely to be rejected.

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Gaza and the West Bank: Recession Sets In

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The economies of the West Bank and Gaza are feeling the effects of the general recession in the Middle East. Economic growth has stagnated, unemployment has increased, and remittances from abroad have declined. High unemployment in the professional classes is particularly troubling, especially in light of the possible return of more Palestinian workers from the Persian Gulf states. Jordan is preparing a five-year development plan for the West Bank, but its impact on the territory is likely to be small because Jordan's own economic difficulties leave it only meager funds to spend across the Jordan River.

Continued Economic Decline

Although the economies of the occupied territories are intricately linked to that of Israel, the Bank of Israel tries to maintain separate statistics for the West Bank and Gaza. Because these statistics exclude the activities of Jewish settlements in the territories, they reflect, at best, the trends in the Palestinian sector of the economies. This sector has stagnated because of a drop in demand in both local and export markets caused by the recession in Israel, Jordan, and the Persian Gulf states.

A recent survey by the Bank of Israel states that real GDP growth in the West Bank and Gaza averaged only 1 percent per year from 1983 to mid-1985. Per capita GDP suffered a substantial decline, however, because the population growth rate during this period was estimated at 2.9 percent per annum and emigration to the Persian Gulf states dropped considerably.

Exports from the territories—almost two-thirds going to Israel and one-third to Jordan—declined 22 percent in 1984 in large part because of a fall in sales of Gaza products. Exports probably fell further last year, but at only a fraction of the decline suffered two years ago.

Imports to the territories—90 percent from Israel—also declined in 1984, but at half the rate of the fall in

exports. Imports last year were probably at about the same level as in 1984, causing further deterioration in the territories' balance of payments.

According to Israeli estimates, 85,000 people from the territories now work in Israel as day laborers, a 7- to 10-percent decline from the number employed two years ago. These workers include approximately half of the Gaza labor force and about 30 percent of the West Bank labor force. The earnings of these workers constitute an important source of income for the territories and contribute to the healthy surplus in the services balance with Israel. This surplus totaled \$281 million in 1984 but declined to \$206 million last year—a reflection of the austerity program in Israel, which caused an erosion of real wages and a cutback in the construction industry, in which many West Bank and Gaza Palestinians work.

Another source of income, remittances from Palestinians working abroad, also has declined in recent years, as have other unilateral transfers such as Jordanian funds to West Bank municipalities and money provided by the PLO to both the West Bank and Gaza. A recent Bank of Israel study estimated that worker remittances alone fell about 5 percent in the period from 1983 to mid-1985. The decline in remittances has probably been even greater during the past year.

Unemployment Becoming a Problem

The recession not only reduced incomes but also caused increased unemployment. According to Israeli statistics, unemployment on the West Bank increased from 3.7 percent in 1984 to 5.3 percent for the first nine months of 1985. Palestinian sources estimate West Bank unemployment at closer to 10 percent for 1984. Unemployment in the Gaza area is usually 1 to 2 percent below that of the West Bank.

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Unemployment in the professional ranks, especially academics, is a particularly troublesome problem on the West Bank. Academics continue to graduate from West Bank universities at a rate of about 6,000 a year and to return from study abroad, but there are no jobs available for them. The Israeli market is closed to them, there are no jobs for their skills on the West Bank, and the recession in the Gulf states has closed employment opportunities for them there.

The problem probably will worsen this summer. Bir Zeit University, near Ramallah, has announced plans to lay off professors because of budgetary constraints. Other West Bank universities and vocational institutions are also facing financial problems because of a withdrawal of support by the Jordanian-PLO Joint Committee. The committee itself is not receiving most of its promised aid from the Persian Gulf states.

The most serious potential problem facing the territories is the return of a large number of Palestinians now working in the Gulf states. An estimated 25,000 Gazans and 50,000 West Bankers are employed in the Gulf region. We have no information on the number of Palestinians seeking to return to the territories, but the continued recession in the Gulf states will probably force many to return over the next two to three years. Press reports have stated that Israel's civil administration in the territories is preparing contingency plans to provide work for returning expatriate Palestinians, but these make-work programs probably will absorb only a few thousand, mainly nonprofessional, workers. Moreover, according to recent press reports, some returning workers are being denied entry into the West Bank by Jordanian authorities.

Reasons for the Decline

Although recession in neighboring countries and the fall in aid and remittances from the Gulf are the main causes for the economic decline in the territories, these areas have other problems. In Gaza a drought over the last two years has cut citrus production as Israel has restricted water use. Shrinking export markets have also hurt. According to published reports, Israel discourages Gazan citrus exports to Europe, competition from Cuba has cut into East

European demand, and the Iranian revolution ended exports to that country. Jordanian import quotas and restrictions on marketing Gazan produce in Israel have further aggravated the situation.

Fishing, Gaza's other main occupation, has also deteriorated because Israel—citing security concerns—has limited fishing to a 12-by-24-kilometer zone and restricted hours of operation. Egypt also has refused permission for Gaza fishermen to operate in some of its waters. According to press sources, Gaza's fish catch has declined from about 3,800 tons in 1968 to 420 tons in the first eight months of 1985.

West Bank agriculture, which produces 27 percent of the area's GDP, also has been hurt by drought over the last two years and by production and marketing restrictions set by Israel and Jordan. Industry, which provides less than 7 percent of West Bank GDP, also faces severe marketing restrictions in neighboring countries.

Politics Complicate the Situation

As with most issues in the Middle East, politics expand these problems beyond their normal dimensions. Typical of the situation is the position of the East Jerusalem Electric Company. Israel recently put this company into receivership for failure to pay its debts to the Israel Electric Company, from which it was forced to purchase electricity because of a lack of alternative suppliers. Meanwhile, the company has four new generating units unconnected to its grid because it lacks permission to install them. The company operates inefficiently, in part because of featherbedding by a strong pro-PLO union.

Jordan refuses to bail out the company for fear that its mandate may not be extended and its operations may be taken over by the Israelis after its debts are paid. Jordan would like to see management and worker reforms in the company, but these would be difficult to monitor from Amman. Israel would like to find a way to connect to the national grid the Jewish settlements now served by the East Jerusalem company.

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Other political factors have hurt the occupied territories. Because of a perceived lack of West Bank political support for King Hussein's peace initiative with the PLO, Jordan has reduced funds flowing to West Bank municipalities, clamped down on travel between the West Bank and Jordan, and frozen some West Bank funds in Jordanian banks. Jordan also does not allow the import of West Bank goods produced at factories built in the territory after 1967 or goods manufactured in the West Bank that include Israeli-produced materials. Jordan also insists that foreign capital goods and materials for new West Bank investment projects be imported through Jordan.

Israel for its part put little money into West Bank development until the first Likud government of 1977—and then only to strengthen Israel's connection with Jewish settlements there. Published reports claim that infrastructure development was on an east-west axis connecting Jewish settlements to the Israeli heartland rather than the north-south axis that would have benefited the Palestinian inhabitants of the West Bank. The Israeli Government has discouraged, to the point of obstruction, investment projects on the West Bank that would compete with Israeli industries.

Outlook

The economic outlook for the West Bank and Gaza is directly tied to that of Israel. As long as Israel sticks with its austerity program, the territories will gain relief from high past inflation rates, but there will be little likelihood of any economic rebound in the near term. Coupled with probable continued declines in remittances and aid, unemployment will increase at a time when there probably will be more workers returning from the Gulf region. High unemployment in the professional ranks may be especially troublesome, as it will create a class of educated and disaffected individuals who may aggravate the political situation in the West Bank.

Jordan has prepared a new five-year development plan for the West Bank that offers some hope for renewed investment and development of the area. Jordan is struggling with its own recession and lack of funds, however, and has higher unemployment than the territories. The plan thus will probably provide only seed money for West Bank projects.

The plan nonetheless suggests that Amman is taking more interest in the area and may be more willing to undertake quiet, cooperative efforts with Israel. Israel, at least under Labor Party Prime Minister Peres, also seems more interested in spurring development in the territories and has recently put more money into support for government hospitals in the West Bank and Gaza.

Although these trends are encouraging, development efforts—if they occur—will take time to have an effect. In the meantime, the economic outlook for the territories is bleak.



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Algeria: The Fundamentalist Challenge

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Islamic fundamentalism appears to be growing in Algeria. There are clear signs that the government takes the development seriously—the trials of 139 fundamentalists in April 1985, the strong measures taken in the wake of a raid on a police training barracks in Soumaa last September, and the presidential speech to the FLN party congress in December emphasizing Islam. The government allows the fundamentalist organizations to operate, but the security services keep a watchful eye on the most extreme elements. These precautions, along with the disunity of the Muslim radicals, are likely to prevent a serious fundamentalist challenge to President Bendjedid for at least the medium term.

The Fundamentalist Challenge

Algeria's closed society and pervasive security apparatus make difficult an evaluation of the country's fundamentalist movement. Nevertheless, informed observers report that mosque attendance, family religious observance, and the popularity of Islam with postindependence youth are all increasing. We believe that the failure of the Algerian state to deliver the secular, Western-style social and economic benefits that it had promised has contributed to the growth of fundamentalism. Algeria has a young and expanding population—half are under 15, and two-thirds were born after independence. Many of them have known only inadequate housing, poor education, and scant job prospects. Government promises of a better life sound stale at best and false at worst against the backdrop of austerity policies that restrict imports of consumer goods. These frustrations may grow further—and Islamic fundamentalism along with it—as the recent sharp drop in world oil prices puts more pressure on Algeria's already strained social services. Although material frustrations have spawned recruits for Islamic fundamentalism, the movement's indictment of Algerian society—and its implied criticism of the government—goes deeper than that. Fundamentalist leaders charge that Algeria's principal problem is that it is already too materialistic and that the attempt to imitate Western modernization and industrialization has led it to lose sight of Islamic principles and beliefs.

The Trial of Fundamentalists

The government's sensitivity over the fundamentalist movement was evident in the trial of 139 fundamentalists in April 1985. According to Embassy and press sources, the fundamentalists were skilled tradesmen, unionists, merchants, artisans, instructors, professors, and unemployed youth. Some were on trial for killing a gendarme, others for conspiracy, and nearly a hundred arrested for participating in assemblies and meetings. They were tried in the Algerian state security court, which is reserved for cases of "attacks against the state." Most received generally lenient sentences, except for two who received 20 years and three who were tried in absentia and got life sentences.

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According to the US Embassy, the light sentences reflected the government's decision to attempt to co-opt Islam by pursuing a temperate policy that would not create martyrs. The government publicized the results of the trials, although not the proceedings, to dispel rumors and discredit the fundamentalists. Government statements highlighted the fundamentalists' dissidence and desire to exploit social and economic tensions.

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The Soumaa Raid

Mustapha Bouali, one of the three sentenced in absentia in May to a life term, led a raid of about 25 fundamentalists on a police armory on Soumaa. He and his followers seized numerous weapons and then fled 50 kilometers south into the mountainous Larba region. Government forces pursued them, but despite the government's enormous advantage in firepower—it used helicopters, armored vehicles, and automatic weapons—it sustained greater losses of life and could capture or wound only four raiders. Although the government's failure probably was due to the rough terrain and the local support for the fundamentalists, the heavyhanded attack was an embarrassment to the Bendjedid regime.

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[redacted] Bouali is 44 years old, was a guerrilla in the Algerian Liberation Army, and has a criminal record. He advocates the use of violence to establish an Islamic republic and has attempted to organize a movement with clandestine cells, similar to the wartime FLN. He was born in the Larba region, which was popular among Algerians during the Independence War because of its numerous grottoes, caves, and hiding places. Larba has maintained an antiestablishment posture since independence and in recent years has become a refuge for fundamentalists. Bouali and his followers probably are being harbored and supported by local followers. [redacted]

The US Embassy in Algiers reports that Bouali is not unique and that other fundamentalist groups are springing up. [redacted]

they are small in number, fragmented, and lack a charismatic leader able to unite them. [redacted]

Links to Other Dissident Groups

There are no indications the fundamentalist groups—armed or otherwise—have joined forces with other dissidents. Their isolation, however, may not last much longer. Exiled former Prime Minister Ahmed Ben Bella and his opposition group, Le Mouvement Pour le Democratie en Algerie, panders to the fundamentalists [redacted]

Ben Bella's group is badly split by personal rivalries and ideological arguments over the use of violence against the regime, and these divisions are likely to hamper close cooperation among fundamentalist and opposition groups. [redacted]

Bendjedid Stresses Islam

At the same time that the government has struck back at fundamentalist critics of the regime, it has tried to win over religiously observant Algerians and to use them against opponents of liberalization.¹ In [redacted]

particular, Bendjedid has tried to rally Islamic sentiment against the Marxist ideologues and strict statist of the Boumediene era who are entrenched in the universities and government-controlled trade unions. The President's review of the national charter—a document in which Boumediene set forth the country's socialist ideology in 1976—has placed heavy emphasis on Islamic values and themes. Bendjedid probably believes Muslim support is a useful counterweight against pro-Soviet elements because the Islamists are for the most part small entrepreneurs who dislike state control of the economy. [redacted]

In addition, the President has attempted to blunt fundamentalist discontent by including more Islamic provisions in the Constitution and by trying to build an Algerian national identity based on a combination of Islamic, socialist, and Western values. In a major speech last December to the FLN congress, Bendjedid stated that it was necessary to demonstrate the "close links" that unite Islam and socialism "in order not to furnish an opportunity for questionable elements who hide behind Islam to sow doubt on our options, or for extremists who attempt to question the ability of Islam to realize social justice." [redacted]

Bendjedid also is taking other measures to undercut the appeal of fundamentalism by:

- Deemphasizing Boumediene and elevating revolutionary heroes whose religious credentials are more acceptable to the fundamentalists.
- Building new mosques. The current five-year plan foresees the building of 160 "pilot" mosques and Koranic schools.
- Setting up Islamic academies in Algiers and Oran and opening up cultural centers in each prefecture.
- Increasing state support and control of religious personnel, especially the imams who have civil servant status and receive a comfortable salary. [redacted]

In a related cultural move, the government is promoting to Algeria's cultural leadership Arabic-speaking intellectuals who have generally taken a backseat to their French-speaking counterparts. It is [redacted]

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also permitting well-known Islamic theorists and scholars to publish books that deviate slightly from the state version of Islam. [redacted]

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Outlook

Islamic fundamentalists will probably continue to gain support among students and urban youth, but we believe they are a long way from becoming a serious threat to the regime. Bendjedid's skillful carrot-and-stick tactics, combined with the regime's effective security network, reduce much of the potential challenge. The fundamentalist movement lacks leadership, has no clear strategy, and is likely to have trouble working with Algeria's other opposition groups, particularly the Marxists and the Berbers. The latter resent the fundamentalists' efforts in behalf of Arabic as the sole language in schools. The regime's effective security network closely monitors the fundamentalists and further reduces their threat.

[redacted]

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In our view, the current lack of sympathy with fundamentalist ideals by a majority of Algerians is the greatest deterrent to the spread of the movement. We believe Algerians are more attracted by consumerism than by the ascetic lifestyle espoused by the fundamentalists. Even though economic stagnation and a lack of opportunity may have produced frustration with the regime and helped increase support for fundamentalism, we believe that most Algerians support Bendjedid and are confident of his ability to govern the country. Only if social and economic conditions worsened appreciably for an extended period could fundamentalism, in our view, become a catalyst for generating widespread antiregime activity. [redacted]

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The Maghreb: Prospects for Soviet Inroads

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The willingness of Soviet leaders to devote greater attention to the Maghreb countries of North Africa—Tunisia, Algeria, and Morocco—stems from political developments in these states and the shifting power alliances in the region. Dissatisfaction with US aid in Tunisia and Morocco presents opportunities for Soviet influence. The risks and gains for Moscow in Morocco are less clear-cut, but King Hassan's troubles with the United States because of his ties to Libya could give the Soviets some leverage. Algeria's gradual turn to the West for economic and military assistance threatens longstanding Soviet access. Each Maghreb country views relations with the USSR as a way to bolster its nonaligned credentials and as a means to gain increased aid from the United States. It also sees Moscow as a possible mediator in the Middle East peace process. Over the medium term, however, traditional ties to the West, and particularly France, will work against Soviet interests.

Background

In recent years, the Maghreb has been an Arab backwater for Moscow. North Africa does not compare with the Levant and Persian Gulf regions in terms of strategic importance, although Algeria and Libya have been important clients for Soviet arms exports. The Algerian political leadership has looked to Moscow as a model for internal economic development and has supported the Soviets in the international arena. Algiers has also allowed Moscow important transit rights for military flights to Africa. In addition, Algeria has granted the Soviets limited access to port facilities for naval vessels, while Tunisia has opened its ports for repairs mainly of Soviet noncombatants. Nevertheless, each of these North African states, and particularly pro-Western Tunisia and Morocco, remains highly suspicious of the Soviets. Even Algeria has been careful to guard against Soviet subversion. No senior Soviet leader has visited Morocco, Algeria, or Tunisia.

During the past year, events in the Maghreb proved to be a two-edged sword for Moscow. On the one hand, the US and Israeli airstrikes against Libya and

Tunisia, respectively, have strained Washington's ties to the region. Bilateral contacts between the Maghreb countries and the USSR have increased, and there are persistent reports that Foreign Minister Shevardnadze will travel to these countries sometime this year. On the other hand, Moscow's association with Libyan leader Qadhafi and heightened concerns by the Maghreb states over Libya's foreign adventurism pose an image problem for Gorbachev.

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Tunisia

Tunisian-Soviet relations have improved since the Israeli airstrike on the PLO headquarters in Tunis last October. The raid embarrassed the regime of President Bourguiba, given the country's traditionally close ties to the United States and France, and it is widely believed in Tunisia that the United States was at least aware of the raid. In addition, the Israeli attack raised new doubts in Tunis about the willingness of Washington to defend Tunisia against Libyan aggression.

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Since last fall, the Tunisians have attempted to court the Soviets:

- The Soviet naval Chief of Staff visited Tunis last December in what the Tunisian Government describes as an attempt to bolster military cooperation.
- A senior Tunisian diplomat traveled to Moscow following the Israeli raid to offer his government's thanks for Soviet support.
- In February, the two governments held their first joint economic commission meeting and signed a long-term trade agreement.
- In March, Tunisia's ruling socialist party attended a Soviet party congress for the first time.

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We believe Bourguiba wishes to win Moscow's consent to press Qadhafi to stop threatening his regime. Tunis also might hope that its dealings with Moscow will serve as a gesture toward Algeria, which has drawn closer to Tunisia during its crisis with Libya. []

Algeria

The impetus for closer Soviet-Algerian relations is coming more from Moscow. The Soviets are concerned about President Bendjedid's efforts to loosen Algeria's traditional economic and security links to the Soviet Union and Eastern Europe in order to obtain expanded contacts with the West. According to the US Embassy in Moscow, the Soviets devoted lavish attention to Bendjedid during his visit to Moscow in late March. The Soviets offered \$350 million worth of economic projects on favorable credit terms. [] the two sides agreed to their first arms agreement since 1980—which we estimate to be worth about \$1 billion []

Algeria, nevertheless, continues to seek a more balanced position between East and West. [] the Algerians are finding the Soviet Union less able than Western countries to contribute to the country's economic and social development. In addition, the resurgence of Islamic values has diminished the attractiveness of the Soviet model for Algerians. More specifically, Bendjedid and his advisers appear concerned that Soviet support for Libya, for the rebel leadership in South Yemen, and for pro-Syrian Palestinian leaders undermines the Middle East peace process and regional stability. Moscow and Algiers, moreover, are competing for sales of natural gas in Western Europe. []

Morocco

The Soviets have made the least progress with Rabat because of King Hassan's strong political, economic, and military links to the West. The US Embassy in Rabat reports, nonetheless, that Soviet visibility in Morocco has increased during the past year, with

Soviet development projects, commercial activities, and delegations receiving more attention than previously in the local press. []

Hassan's motives for expanding contacts, in our view, are more opportunistic than those of Bendjedid and Bourguiba. He probably hopes to use the Soviets to promote his role as leader of the Arab League and his efforts to achieve a Middle East settlement. In addition, Hassan also wants to encourage the Soviets to maintain their neutral position toward the Western Sahara dispute. []

Hassan approached Moscow for military assistance in mid-1985. We believe this approach was designed to preempt attempts by Algiers to gain greater Soviet military support for the Polisario and challenge Morocco's military dominance in the conflict. We believe the King's move may also have been attributable to his concern over US security commitments in light of his political union with Libya. []

Outlook and Implications for the United States

Prospects for Soviet influence in the region will continue to be limited for the short to medium term. Other than their links to Arab states, the Maghreb countries have their strongest cultural, commercial, and ideological ties to the West. Morocco and Tunisia are suspicious of the Soviet Union's willingness or ability to supply needed economic and military assistance, while Algeria, which has purchased large quantities of Soviet arms, nevertheless wants to diversify its weapons inventory and expand economic ties to the West. []

In our view, Morocco and Tunisia—and to a much lesser extent Algeria—are more likely in the future to attempt to use the Soviets as a tool for extracting more aid from the United States and demonstrating their commitment to nonalignment. In the near term, each will want to maintain access to Moscow to lobby against a closer Soviet relationship with Qadhafi. Rabat and Tunis would not want to jeopardize ties to Washington, but we cannot discount the possibility that they could resort to brinkmanship in their efforts

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to obtain more US aid. Tunis, for example, could offer Moscow expanded access to port facilities, while Morocco could purchase light weapons or other military equipment. [redacted]

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In the short to middle term, a number of developments in the region could adversely affect Soviet interests. A further expansion of Soviet-Libyan ties could complicate Moscow's relations with the other Maghreb states. Algeria and Tunisia in particular have been concerned about Libya's machinations in the region and may be prone to see a Soviet hand in Qadhafi's actions. Algerian-Libyan rapprochement—which the Soviets probably are encouraging—would frighten Morocco and Tunisia and compel them to look more to the United States for support. We believe any Soviet bid to enhance relations with Algeria, Morocco, or Tunisia would be seen negatively by the other two states. [redacted]

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Prospects for the Soviets would improve if any of these three countries, and especially Tunisia, perceived that the United States or West European countries failed to provide vital economic or security assistance. Further confrontations between the United States and Libya, at a minimum, would encourage them to be more neutral in their relations with Washington, possibly to the advantage of the Soviets.

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Saudi Arabia-China-Taiwan: Riyadh's Awkward Triangle

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Saudi Arabia and China are gradually improving ties despite the lack of formal diplomatic relations and Riyadh's traditional standoffishness toward Communist governments. Riyadh has had occasional low-key contacts with Beijing for several years, but Saudi economic difficulties and the hope of increased trade benefits may be leading the kingdom to expand the relationship. The Saudis also are encouraged by what they judge is China's growing tolerance toward its small Muslim minority as well as Beijing's political pragmatism and sympathy to Arab goals in the Middle East.

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The major stumblingblock for the Saudis is Riyadh's longstanding relationship with and loyalty to the government on Taiwan, which has significant economic ties to the kingdom and depends heavily on Saudi oil. The Saudis are not likely to abandon Taiwan, but they may be willing to curtail their close cooperation to allow greater room for diplomatic flexibility, particularly if China and Taiwan renew contacts.

Earlier Contacts

Although Saudi Arabia has avoided economic and political dealings with Communist governments, for the past several years it has quietly maintained a channel of communication to Beijing. The Saudis appreciate China's generally pro-Arab stance on Middle Eastern issues—particularly its strong support for the PLO and sharp criticism of Israeli policies. The Saudi leadership considers China more pragmatic than most Communist states and less hostile to conservative Arab regimes.

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There have been occasional contacts between officials of the two governments since at least the mid-1970s. The principal channel has been meetings between Saudi and Chinese ambassadors in Washington.

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Foreign Minister Sa'ud visited Beijing in December 1982 with an Arab League delegation and discussed China's interest in expanding ties.

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Recent Moves Toward China

Saudi Arabia is eager to expand economic ties to Beijing.

Saudi petrochemical sales to China were increasing both in volume and diversity. The Saudi Basic Industries Corporation, a quasi-government organization, is negotiating directly and through third parties to sell methanol and other petrochemicals to the Chinese. Last November a 16-member Saudi trade delegation visited China, ostensibly to explore the possibility of economic and technological cooperation.

another Saudi trade delegation is to visit China in the near future.

Saudi Arabia and China had been negotiating primarily on economic issues through their respective ambassadors in Washington for several months and that China hoped the expanded economic contacts could be parlayed into

Contacts have also expanded over the last several years through the Saudi-funded World Muslim League, largely because of Riyadh's perception that China had adopted a more tolerant attitude toward its 15 million Muslims. The two countries have exchanged several delegations of Muslim officials since 1982, and China agreed to permit the publication and dissemination of Islamic books in Muslim-populated areas of China, to accept a small number of Muslim teachers to teach at two Chinese

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Islamic institutes, and to send Chinese Muslim students to study in Saudi Arabia. The number of Chinese who participate in the hajj, the annual pilgrimage to Mecca, has increased steadily over the last several years to more than 1,000. In contrast, only a handful of Soviet Muslims make the trip each year. []

Despite these gestures, Riyadh has been reluctant to develop a more formal relationship with China. The Saudi Government is strongly anti-Communist and sensitive to the potential opposition to such a step from powerful conservative elements in the kingdom. []

[] Saudi-Chinese cultural and economic exchanges receive minimal coverage in the Saudi press. King Fahd probably believes that renewed ties would be a significant diplomatic windfall for Beijing, and he will want to ensure that Saudi Arabia receives comparable benefits. []

Ties to Taiwan

The major obstacle to renewed ties is Saudi Arabia's close relationship with and strong sense of loyalty to Taiwan. Embassy reporting earlier this year indicated the government in Taiwan is concerned about the rapprochement between Riyadh and Beijing, and the Saudis recognize the importance Taiwan places on its ties to the kingdom. Saudi Arabia is one of Taiwan's major trading partners and one of the most important of the handful of countries with which Taipei still has full diplomatic relations. []

Both countries benefit substantially from their extensive economic links, managed largely through the Saudi-Taiwan Joint Economic Commission. According to Embassy reporting, Riyadh provides more than one-third of Taiwan's oil, and press reports last November indicated Saudi Arabia was preparing to extend for three years a contract under which Taiwan purchased 60,000 b/d of Saudi crude oil. []

[] Taiwan may have concluded a netback agreement with Riyadh for substantial additional purchases of crude.

The two countries also have joint projects in areas such as science, technology, communications, agriculture and fisheries, construction, medicine, and trade. There are about 7,000 skilled workers from Taiwan in the kingdom, including 1,000 medical personnel. []

Prospects

Despite their close ties to Taiwan and their traditional reluctance to deal directly with Communist governments, the Saudis probably are considering the establishment of formal ties to China. Although the economic advantages may not be significant over the short term, there would be immediate political benefits from such a move. Riyadh would weaken the impression of being too closely linked to the United States, but with less risk than would come from renewing relations with Moscow. Improved relations with China would be more acceptable to conservative elements in the kingdom than a move toward the USSR, which the Saudis believe continues to deny basic religious freedoms to its Muslim population. It also would send Washington a subtle signal of independence in the wake of recent tensions over arms sales and US policies in the Middle East. []

Although there are diplomatic advantages and long-term economic opportunities from relations with China, the Saudis probably are unwilling to cut all ties to Taiwan if Beijing insists on such a step. Riyadh is sympathetic to Taipei's precarious diplomatic situation and will not want to deepen its diplomatic isolation as long as the Taiwanese continue to play a crucial role in Saudi Arabia. If the Saudis can open formal relations with Beijing while maintaining reduced, informal ties to Taiwan, Riyadh will be much more likely to move in that direction. []

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Saudi Arabia: Drugs and Security Worries

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Saudi Arabia's role as a consumer of and transit point for illicit narcotics has expanded despite official interdiction efforts. Drug seizures have increased throughout the kingdom, and there is evidence that narcotics abuse affects a growing number of Saudis. Riyadh fears that established routes for contraband narcotics from Iran, Syria, and Lebanon may become increasingly attractive as conduits into the kingdom for weapons and other subversive materials. The Saudi Government has responded to the problem by seeking cooperative antinarcotics agreements with its neighbors, reassessing government security programs, and requesting further technical support and training from the United States. Increasingly, the Saudi response to narcotics trafficking reflects Riyadh's rising awareness that failure to limit narcotics movement through the country is a weak link in its national security.

An Increasing Narcotics Challenge

Saudi Arabia's drug problem remains small in comparison with other Middle Eastern states, but the increase in the number and size of recent drug seizures and the expanded interdiction efforts on the part of the Saudi Government suggest the problem is increasing. the amount of heroin seized in the kingdom during March 1986 nearly equaled the amount seized in the previous two-year period. narcotics seizures during the first week of the Muslim holy month of Ramadan this May at Riyadh's international airport increased dramatically. traffickers apprehended in the kingdom are using more professional and sophisticated concealment techniques to bring drugs through customs.

Rising narcotic seizures and a growing domestic population of drug abusers have pushed Riyadh to more openly address the problem of drug use among Saudi citizens, a step the government strongly rejected until recently. Until last year Saudi officials continued to tell US Embassy officials in Riyadh that

the only drug abuse in the kingdom was among foreign workers who brought drug habits with them from their native countries, particularly Pakistan and India. But, last April Saudi Crown Prince Abdallah said that the problem of illicit drugs is much greater than the government openly acknowledges and that he is seeking to redirect the state security services to handle the threat. This spring leading Saudi newspapers began to run stories for the first time about the successes of the canine contraband detector program and the opening of drug detoxification facilities at leading hospitals.

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We believe that the primary reason for the recent rise in drug treatment facilities in the kingdom is the increasing number of young Saudis exposed to drugs in Europe and the United States who return to the kingdom and propagate within their peer group the lifestyle they enjoyed abroad. many affluent Saudis regularly abuse valium, amphetamines, and heroin. physicians treating such cases report the abuse as "flu" or other common maladies to avoid embarrassment to the families.

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The Narcotics-Weapons Linkage

Smuggling of all types of contraband has been a chronic problem for Riyadh, but the Saudi Government appears more worried than ever that subversive elements can use the same networks to move weapons, explosives, and terrorist materials. The country has long, unguarded borders—parts of which are undefined or located in outlying desert regions—that allow large amounts of contraband to enter Saudi Arabia each year unobserved. Much of this material, such as foreign currency, consumer goods, and common drugs, is not related to security, but over the last several years Saudi state security

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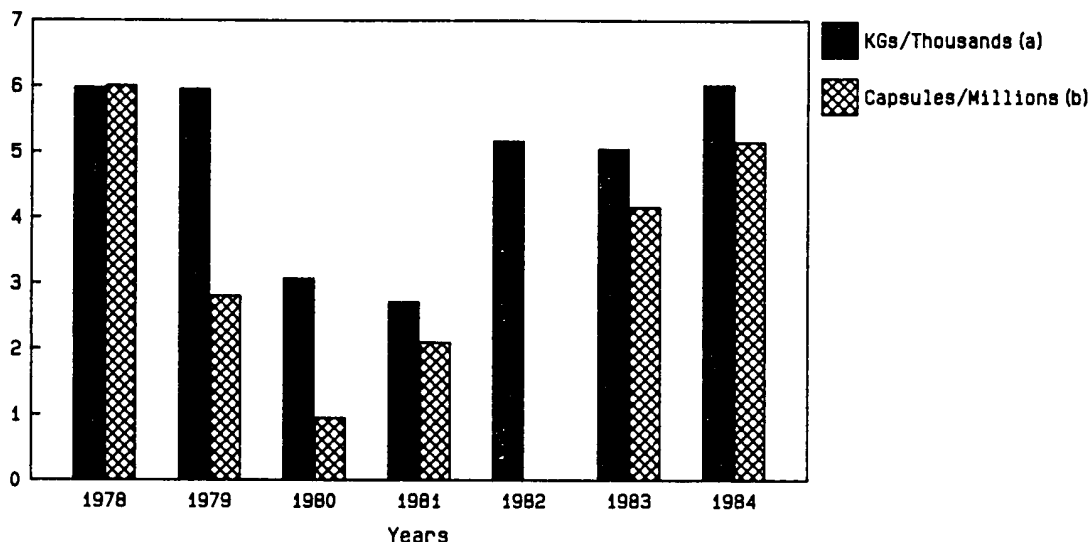
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Saudi Arabian Drug Seizures 1978-1984



(a) Primarily hashish, but includes substantial amounts of opium, heroin, and some cocaine.

(b) Includes captagon, amphetamines, barbiturates, and other prescription drugs.

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services have become aware of an increasing volume of contraband weapons and explosives entering or transiting the kingdom:

- A large convoy of contraband weapons and other goods moved through the empty wastes of the Eastern Province toward an unknown destination in mid-1983, [redacted]
- Riyadh criticized the other members of the Gulf Cooperation Council in early 1984 for their lax interdiction and security practices, [redacted]
- Security officials in the United Arab Emirates seized three shipments of contraband arms being smuggled through Saudi Arabia to North Yemen in 1983, [redacted]

- Riyadh submitted a demarche to the Government of Jordan in mid-1984 demanding that Amman investigate the involvement of Jordanian officials with a ring of drug and weapons smugglers running contraband into the kingdom, [redacted]
- Riyadh banned the entry of foreign refrigerator trucks in 1985, according to the US Embassy in Jordan, charging that smugglers use false bottoms and walls in the sealed vehicles to bring in drugs and weapons. [redacted]

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Stepping Up Enforcement

Riyadh's response to rising narcotics and border security problems has been to expand its interdiction efforts, to seek Western expertise in improving customs facilities, and to increase the penalties for the smuggling or possession of contraband. King Fahd

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has issued decrees against the abuse of specific drugs and has changed the previous system of nominal fines for abuse to mandatory three-year prison terms for possession of illicit drugs, [REDACTED]

Overall management of the national drug interdiction effort is the responsibility of the Department of Customs within the Ministry of Finance. This office has received training and technical advice through its liaison with the US Customs Service. According to US customs officials familiar with this program, Riyadh has attempted to increase the effectiveness of the program by:

- Creating watchlists of suspicious persons, flights favored by smugglers, and cargoes likely to be carrying contraband.
- Introducing a canine detector corps capable of identifying a wide range of contraband weapons and narcotics.
- Putting increasing numbers of Saudi Government officers in direct charge of program components.

[REDACTED]

Riyadh also is reordering the government departments involved with customs and security matters. Riyadh's desire to "Saudi-ize" the personnel of major security and customs programs—replacing contract laborers with Saudi nationals—reflects this effort. The General Director of the Department of Customs has increased the membership of the national Interagency Cooperating Committee to include all five of the major services involved in monitoring the movement of goods and people into and out of the country. [REDACTED]

In our view, the initiative to enhance coordination between security and customs services in the country comes from Minister of the Interior Prince Nayif. According to US Embassy reports, he has made numerous administrative changes to streamline the Saudi bureaucracy and to overcome the widespread bureaucratic reticence to share information and techniques. Moreover, Prince Nayif has been active in promoting the value of joint or regional customs training programs among the Persian Gulf states.

[REDACTED]

Dog Detector Program

The US-Saudi joint Canine Enforcement Program is the keystone of an extensive customs project aimed at increasing Riyadh's ability to intercept contraband of all sorts. Established under the auspices of the US-Saudi Joint Commission on Economic Cooperation, the program trains dogs and handlers to detect a wide range of weapons and illicit drugs at all the major airports and most ground entry points in the kingdom. Dogs and handlers are put through extensive training in the United States, and US officials monitor the program in Saudi Arabia.

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US officials say Riyadh was initially reticent about assigning Saudi nationals to the program, claiming no proper Arab would agree to work with a dog, an animal traditionally considered unclean by orthodox Muslims. Most of the initial candidates for the program have been Malaysian contractors. But Saudi nationals have participated in the US training program and returned to the kingdom, where several serve as administrators in the national Canine Enforcement Program.

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Narcotics: A Growing Factor in Regional Relations

Riyadh has voiced its concerns about the growing connection between narcotics and security issues in regional forums and seeks to increase the level of coordination and cooperation among its neighbors. As a member of the Arab League, the Islamic Conference Organization, and the Gulf Cooperation Council, Saudi Arabia has encouraged each group to review the possibility of increased cooperation in antinarcotics operations. According to US Embassy and press accounts of these meetings, however, none of these organizations has yet introduced a workable proposal for multilateral antinarcotics cooperation.

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Riyadh has initiated bilateral programs with some of its immediate neighbors to gain greater control over narcotics and illicit weapons smuggling. [REDACTED]

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[] the Saudi Ministry of Finance began a program in late 1985 to create facilities for local training in many of the contraband interdiction techniques currently performed in Saudi Arabia by foreign contractors. The long-range goal of the program is to provide standardized customs training to the members of the Gulf Cooperation Council.

Nonetheless, we believe Riyadh faces serious constraints in encouraging neighboring states to institute security measures equivalent to the Saudi program. []

[] Riyadh's smaller Gulf neighbors were growing increasingly resistant to Riyadh's heavyhanded approach to multilateral programs—including antinarcotics initiatives that are perceived to serve only Saudi ends. []

Outlook

Drug trafficking into Saudi Arabia and domestic drug abuse are likely to rise over the next several years. Even with the economic cutbacks that Riyadh faces from falling oil prices, Saudi citizens will continue to have relatively high levels of disposable income, and numbers of Saudis will continue to study in the West, where they will pick up the taste for recreational drugs. There is the possibility that affluent Saudis, accustomed to trafficking small amounts of drugs for their personal use, will smuggle large quantities of illicit narcotics into the kingdom for resale to offset reduced incomes. []

Continued political, economic, and social tensions in the Gulf and among Riyadh's neighbors to the north and south are likely to lead to a rise in demand for contraband arms in the region. The growing arms market will provide an impetus for drug traffickers to become involved in running weapons and other subversive contraband. We believe that such contraband will find a ready market inside Saudi Arabia among radical Shias, disaffected youth, and criminal elements, each with the potential to disrupt Saudi Arabia's normally placid environment. []

Riyadh will continue to strengthen its drug and weapon interdiction programs. It will:

- Increase coordination among national security agencies.

- Push joint antinarcotics initiatives in regional and international forums.
- Increase criminal prosecution and punishments for trafficking and drug abuse.
- Replace foreign contract labor with Saudi nationals in key security positions. []

We believe, however, that Riyadh's efforts to improve antidrug and contraband interdiction programs will fall short. The Saudi Government's self-serving approach to regional cooperation has offended many of the neighboring states whose support Riyadh will need to initiate successful contraband interdiction efforts. Domestic constraints also will limit the success of Riyadh's antinarcotics efforts:

- The unwieldy Saudi bureaucracy, characterized by a lack of cooperation among ministries, will be an obstacle to effective antinarcotics enforcement efforts.
- Riyadh has come to rely heavily on foreign expertise and complex technical means to intercept illicit drugs and weapons. The technology the kingdom will need to ensure its goal of maximum border security is likely to be prohibitively expensive, given falling oil revenues and competing high-priority programs. []

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South Yemen: Not Even a Nice Place To Visit []

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The current regime in South Yemen seized power almost four months ago, but it has failed to consolidate its position and gain support either at home or abroad. Competing ambitions and internal rivalries deeply divide the collective leadership, and no dominant leader has emerged capable of forming a stable, broadly based government coalition. Such tensions, coupled with mounting security and economic problems, appear to be generating sufficient momentum to force another change in the government lineup, possibly within the next few weeks. The US position in Aden probably will not improve should a new regime come to power. The odds are that any new leadership would be as pro-Soviet as its predecessors, given Aden's dependence on Soviet military and security assistance and longstanding ties between the two countries. []

A Grim Picture

The economy, in serious trouble before the coup, is now almost stagnant. [] the government cannot provide basic goods and services, and living standards have deteriorated sharply since the coup. According to US Embassy reporting from North Yemen, inventories in most stores are low and food is in short supply. In addition, the recent fighting devastated the country's health services. There is a critical shortage of qualified medical personnel and supplies, and the incidence of infectious disease is on the rise. []

Although the Aden oil refinery—a key source of foreign exchange—escaped serious damage and has returned to precoup operating levels, the government is facing a serious economic crisis. []

[] the regime is trying to increase revenues by deducting a substantial portion of public employees' salaries for the reconstruction of Aden and has imposed a 4-percent tax on worker remittances.

[] the regime also has made drastic cuts in nonessential imports and delayed the reconstruction of buildings, roads, and other infrastructure. A World Bank team—the first such

delegation since the fighting—was scheduled to visit South Yemen last month, however, and a resumption of relations with the bank would encourage other funding agencies to follow suit. []

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The security situation, especially in Aden, remains unstable. Reports of unrest, revenge killings, and continuing detentions are commonplace. A US official reports that as of late May the regime was still arresting suspected supporters of former President Hasani and conducting daily executions in the middle of Aden Square. []

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[] refugees continue to stream across the border into North Yemen. []

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The Leadership Puzzle

The uneasy government and party coalition appears to be breaking down under the strains of often violent personal rivalries and policy disagreements. The leadership has been unable to overcome traditional provincial and tribal differences to form a coherent and effective ruling group. Reports of assassination attempts against prominent officials increased dramatically last month. The many contentious policy issues facing the leadership—such as not being able to disprove allegations of foul play in the death of party godfather Isma'il, the failure to obtain foreign diplomatic and financial support, and disagreements over how to deal with Hasani's supporters—also are providing fuel for another political blowup. []

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There are as many factions jockeying for power as there are issues to fight over. Each faction is dominated by a strongman contriving to control South Yemen, but the most powerful man at the moment appears to be Yemeni Socialist Party Secretary General al-Bidh. He heads a faction of hardline party members with the support of government technocrats led by fellow tribesman, President Attas. Other key

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players in the struggle for supremacy are the party deputy secretary general—his boss's rival on both a personal and tribal level—the Ministers of Defense and State Security, a former Minister of State Security known for his brutality, and the new armed forces Chief of Staff and his deputy. []

The Missing Piece of the Puzzle

A critical unknown in the leadership struggle is the role of the USSR, about which there is a lack of hard evidence. According to US Embassy reporting, relations between Aden and Moscow are cool. The South Yemenis apparently resent the fact that the Soviets have not rushed to rebuild Aden, resupply the military, or send high-level Kremlin leaders for an official visit. There are indications the factional infighting and resistance to Soviet mediation efforts have caused Moscow to seriously question the Aden leadership's viability. The new nonresident Soviet Ambassador to Muscat recently told the Omanis that Moscow considers the situation in Aden unstable and expects more violence. []

Moscow probably is working covertly to line up a more acceptable alternative to the regime in Aden.

[] Moscow is pressing South Yemen to allow Hasani's followers back into the government to create a more stable, broadly based ruling coalition. The Soviets may be delaying economic and military assistance to force Aden to acquiesce to their demands. Moscow also may be trying to maneuver into position a single leader who can control South Yemen's competing factions and with whom they can work. []

Troubled Foreign Relations

South Yemen continues to have only limited success in reestablishing normal foreign relations, even with traditional allies such as the USSR, Eastern Europe, Libya, and Syria. In a recent interview, Libyan leader Qadhafi acknowledged his friendship with Aden but qualified his remarks by adding that South Yemen's

leaders were "unknown" to him. Ethiopia has direct contact with Aden, but the issue of amnesty for Hasani's supporters continues to be a stumblingblock to better relations. []

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South Yemen's relations with its Gulf neighbors remain tentative, but some progress has been made toward more workable arrangements. Oman, having sought Soviet assistance early on to determine the new regime's intentions, has been the most willing to resume business as usual with Aden and hopes to open border talks soon. Even Saudi Arabia, the country most opposed to the new regime outside of North Yemen, has returned its Ambassador to Aden. Nonetheless, the Persian Gulf states probably will not offer the financial assistance Aden desperately needs because of their continuing doubts about the regime's stability and its future orientation. []

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Relations between North Yemen and South Yemen remain tense. According to the US Embassy in Sanaa, North Yemen continues to refuse to normalize relations unless South Yemen grants unconditional amnesty to South Yemeni exiles and removes radical North Yemeni opponents and dissidents from leadership positions—conditions that Aden so far has firmly rejected. Sanaa has softened its position only to the extent of supplying humanitarian assistance and conducting limited talks with Aden. Another source of continuing tension between the two countries is the presence in North Yemen of a South Yemeni exile force of over 5,000 that is being trained and supplied by Sanaa. President Salih is trying to force concessions from the Aden regime by threatening to unleash the exiles against South Yemen. []

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Outlook

In our judgment, growing hostility between competing factions in the Aden leadership, coupled with mounting economic and security problems, will soon lead to the resumption of open conflict, possibly within the coming weeks. Deeply divided and increasingly prone to violence, the ruling elite probably will not be able to cope with the many

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pressing problems facing it. In addition, it is equally unlikely that Aden will be able to convince Moscow or the Gulf states in the near term to provide the levels of assistance necessary to ameliorate current economic hardships.

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Should fighting break out in Aden, the outcome would be highly uncertain, given the fragmented nature of the South Yemeni leadership and the armed forces. Moreover, Hasani's exile forces would be likely to intervene. Although they might be able to establish a foothold in northern Abyan Province, their ability to affect the outcome of hostilities in Aden is questionable without substantial outside military aid. It is doubtful Soviet behind-the-scenes maneuvering will be able to prevent an outbreak of hostilities in Aden, but the degree of Soviet involvement would have a major impact on the outcome.

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The extent to which the Soviets would be willing to commit themselves to protect their equities in Aden and to risk further damage to relations with other states in the region is problematic. We do not believe, however, that Moscow would be forced to make such a choice. The next government in Aden is likely to be as pro-Soviet as the current regime and may even be more vulnerable to Soviet manipulation because of its relative youth and inexperience.

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Iraq's Shias: A Basic Population Assumption Questioned

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For 40 years analysts of Iraq have known that Shia Arabs are a majority in Iraq and, lacking accurate data, estimated them to be somewhat more than half the population, or 55 percent. We believe 55 percent is too low and that the proportion of Shias in Iraq is in the range of 60 to 65 percent and slowly increasing. We cannot prove these figures, however, and would need additional information to be able to do so. Nonetheless, extrapolation from available data supports the higher percentage. As Shias come to realize that they account for nearly two out of three Iraqis, they are likely to demand a greater share of power. Barring an Iranian victory in the war, they have little chance of gaining power in the short term, but their long-term prospects may slowly improve as they become an ever larger majority in Iraq.

The Effects of Different Birth Rates

According to UN estimates, Iraq's population has grown by about 3.2 percent annually since the 1947 census. Shias—among the lower social strata of the population in Iraq and elsewhere in the Arab world—traditionally have had a higher birth rate than the wealthier Sunni and Christian Arabs. The Sunni Kurds, also poor, probably have a growth rate higher than the Sunni Arabs, but we suspect it is lower than the Shias for cultural reasons and because of limited access to medical facilities. Assuming a Shia growth rate of 3.5 percent annually since 1947 and thus a rate of nearly 2.9 percent for the other ethnic groups—together these rates produce a 3.2-percent overall growth rate—Iraq's Shias would now account for 63 percent of the population. The percentage would be still higher if the initial 55 percent estimate were too low.

Other indicators of the Sunni/Shia ratio support the argument that the Shias make up more than 55 percent of the population. Most observers estimate that Shias account for about 75 percent of the armed forces.

Iraq's manpower shortage leads the government to conscript all available non-Kurds. The

Kurds, an estimated 18 percent of the population, are exempt. If the Army is composed of Sunnis, Shias, and Christians in proportion to their numbers in the overall population—a reasonable assumption, in our view—this would indicate that Shias account for about 62 percent of all Iraqis (that is, 75 percent of the 82 percent of the non-Kurdish population). Although a few wealthier and better educated Sunnis and Christians secure educational deferments and perhaps even escape military service, we doubt this alters the statistics significantly.

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Similar Data Questions Elsewhere in the Persian Gulf

Estimates of the number of Shias in Bahrain, Saudi Arabia, and Kuwait have been revised upward since the Iranian revolution focused attention on them. The US Embassy in Bahrain estimates that Bahraini Shias, long believed to number 55 percent of the island's native population, account for at least 70 percent. Before the war, most estimates held that Saudi Shias accounted for one-third of the natives of the Eastern Province. The US Consulate in Dhahran now estimates that they constitute nearly half the natives. Similarly, conventional wisdom held that Kuwaiti Shias accounted for 30 percent of Kuwait's natives. the Kuwaiti Ministry of Interior estimated in 1984 that the Shias account for at least 42 percent of the native population. (Native Kuwaitis constitute only 40 percent of the total population.) Analysts of the Gulf states caution that these population estimates are not based on firm data. They believe, however, that the estimates are more accurate than earlier figures, which probably reflected a desire by the Sunni ruling families to minimize the size of their Shia populations. We suspect that the same underestimation of Shias has persisted in Iraq.

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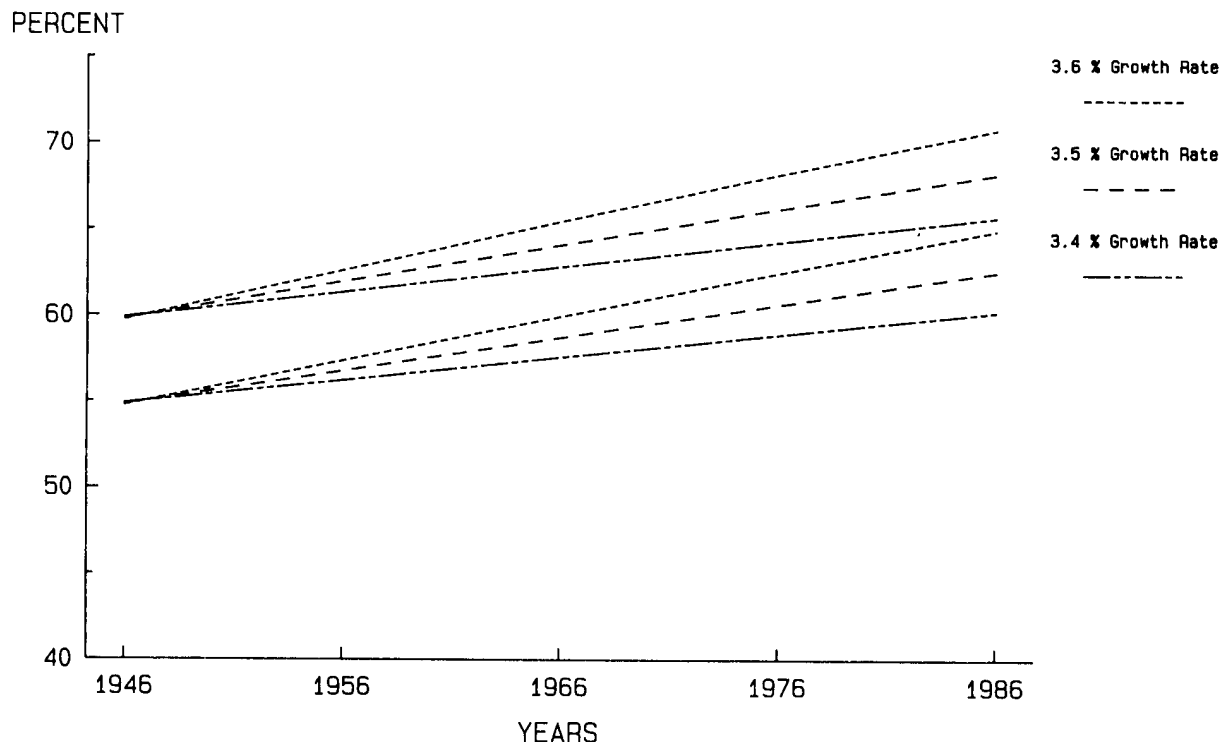
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Iraq: Alternative Estimates of Shia Population Measured as Percent of Total Population

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Implications

The psychological impact of acknowledging that Shias are nearly two-thirds of the Iraqi population rather than slightly over half probably will be as great on Shias as it will be on the dominant Sunni Arabs, who may comprise only 17 percent of all Iraqis. We believe that the ruling Ba'th Party will continue its efforts to appear to share power by providing Shia Ba'thists with prominent party and government posts. The Sunnis, however, are unlikely to relinquish control of critical government, security, and military positions voluntarily. Barring an Iranian victory in the war, Shias have little chance of gaining control in Baghdad in the short term, but, because of their higher birth rate, their long-term prospects may be slowly improving.

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Iran: Prevalence of Black Market []

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The Iran-Iraq war has placed enormous strains on the Iranian economic system, with consumers carrying the heaviest burden. Chronic shortages, a stringent rationing system, rising prices, low pay scales, and widespread unemployment are undercutting support for the regime's handling of the war. The development of an extensive unofficial, often illegal, economy has reduced some of the economic strain, but this black market has raised problems of corruption and other complaints that over time could further erode popular support for the government. []

inadequate supplies of necessities available through the rationing system and provides access to scarce luxury goods. The black market also enables business firms to obtain scarce materials and parts as well as vital foreign exchange. The black market is firmly entrenched. []
[] virtually anything is available for the right price.
[]

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Iran's Rationing System

At the beginning of the war with Iraq, the Iranian Government instituted a comprehensive rationing system to provide each family with a minimum allotment of basic goods and a "fair" share of non-necessities. The rationing system employs two separate distribution networks—the banks and the mosques. Coupons issued by banks cover staples such as rice, sugar, and cooking oil. Those issued by the mosques cover perishables such as meat, eggs, butter, and milk. The price of bread is subsidized by the government and in early 1986 was available in unlimited quantities. According to a parliamentary report, the bread subsidy costs the government \$1 million per day. The government also fixes the prices and controls the distribution of automobiles, rugs, appliances, and many other everyday items. []

[] black-marketeters obtain their goods mainly by smuggling from the Arab Gulf states or by diversion from official channels. A sizable number of private investors choose to import goods for the black market rather than invest in domestic industry because of the substantially higher profit and the relative lack of government interference. Indeed, as the war grinds on, government officials have been increasingly willing to profit by diverting rationed goods to the black market. []

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[] on interviews with an Iranian emigrant in Europe states that some of the most popular luxury goods that are available only on the black market are US-made vacuum cleaners, washing machines, and freezers. []
[] that even items that are banned by the government, such as alcohol and some prohibited medicines, are available at exorbitant prices. []

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In rural areas the rationing system has brought great popularity and support to the Islamic government among the poor. For the average urban family, however, the rations frequently have been inadequate or unavailable. These urban problems have worsened as the war has continued, and the black market has mushroomed to provide needed goods. []

One of the key problems for the regime caused by the proliferation of the black market in consumer goods is the diversion of basic necessities from the official market to the black market where prices are much higher. This redistribution between markets causes shortages and forces consumers to pay the higher black-market price because even their minimum allotments are not available through the rationing system. According to press reports, staples such as

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War Breeds Black Market

Recognizing the need for relief from wartime austerity measures, Tehran has tolerated a flourishing black market. The black market enables Iranians—particularly in urban areas—to supplement the

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rice often sell on the black market for as much as 12 times the official price. As long as the government ignores this transfer, basic goods will continue to flow to the black market and will be unavailable to those holding ration coupons. [redacted]

Industrial Products

Construction materials and mechanical spare parts are rationed by the government, and shortages have caused a black market in these materials as well. Official requests for such building materials as structural beams, pipe, tiles, faucets, and water heaters must be accompanied by a construction permit. [redacted] orders have taken as long as two to three years to be filled. Spare parts for automobiles, trucks, tractors, and combines can be purchased officially only with ration coupons. These coupons are issued in "spare parts booklets" by industrial cooperative organizations that were formed by the government to assist in distributing goods. Purchases from the cooperatives routinely require a long wait; the only alternative is the black market. [redacted]

Although the rationing system was intended to bring order to the distribution of goods, its coupons and permits have instead become part of the black market just like other commodities. [redacted]

[redacted] trading in permits for factory construction is common. Approximately 19,000 construction permits have been issued since the revolution. Each permit allows the purchase of foreign exchange at official rates; some cover imports of raw materials on a continuing basis. The government allows these permits to be transferred to other "entrepreneurs," and this has allowed them to be traded regularly. [redacted]

Shortages of industrial goods on the official market have been caused by tight import restrictions and the failure of Iranian industry to meet anticipated production levels. [redacted]

[redacted] in Western Europe indicate that there have been chronic shortages of raw materials and spare parts for machinery and that industrial output has fallen steadily. Some of the domestic production problems have been caused by scarce imports of raw materials and spare parts. The war

Spare Parts for Truck Repairs



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To obtain a part for the repair of a truck motor, the owner must first contact the Truck Transportation Cooperative, which administers the distribution of spare parts. A letter from the Truck Transportation Cooperative to the local highway department is required and must be accompanied by a certificate from a mechanic stating that the part needs replacement. These documents are forwarded from the local highway department office to the provincial highway department, which then issues a letter to the Truck Transportation Cooperative authorizing issuance of the part. It is only after this authorization is received that the cooperative checks with its suppliers to determine if the part is in stock. Unless the truck owner has already arranged to pay the supplier the black-market rate for the part, the supplier is likely to inform the cooperative that the part is not in stock, even if it is available. Parts that are not purchased in this time-consuming manner cost even more on the black market. [redacted]

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with Iraq has depleted foreign exchange reserves, and the recent reduction in oil revenue has decreased the government's access to foreign exchange even further. Resulting import restrictions have been applied across the board to finished goods and raw materials for industry. [redacted]

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Foreign Currency Black Market

The black market for goods and permits is matched by a thriving underground foreign currency market. The government has tried to enforce an artificially low exchange rate—86 Iranian rials to the dollar—that is one-seventh the free market rate. Businesses technically are required to purchase foreign exchange at official rates, but this requires the appropriate

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permit. Since few enterprises are awarded new permits, firms must buy either the permits or the foreign currency on the black market. [redacted]

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[redacted] foreign business representatives are routinely requested by black-marketeers to sell hard currency at substantial markups. Although the government has attempted to stop these exchanges, black-market currency trading is so common that it occasionally is even used by government agencies. [redacted]

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Outlook

We expect the black market to increase in importance because we do not foresee any easing in shortages of foreign exchange, industrial materials, and consumer goods. Moreover, the high prices and profits found on the black market have made official corruption more common, and we doubt this will be reversed any time soon. Decreased industrial imports make it unlikely that Tehran can reverse the fall in factory production of recent years. Private investors are likely to continue using their resources for profitable black-market import businesses, rather than investing in domestic production. Although worsening shortages and official corruption will continue to fuel the black market and slowly undermine support for the government, we do not expect this to pose a significant threat to the regime in the near term. [redacted]

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Chernobyl' and Nuclear Programs in the Middle East and South Asia []

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Heavy publicity given to the Chernobyl' nuclear power station accident in the USSR has increased concern in the Middle East and South Asia about the safety of nuclear reactors, but it is unlikely to set back significantly nuclear power programs in the region.

[]

Egypt is the only state in the region in which officials have publicly expressed doubts about the safety of nuclear power. On 7 May Prime Minister Lotfy announced that Egypt had not yet made a final decision on bids submitted for its first power reactor because of concern about "health." Two weeks later he told the press that no plant will be built if there is even a 1 percent chance of danger. Lotfy's statements reflect President Mubarak's longstanding reservations about the safety of nuclear power. Since the Chernobyl' accident, the well-publicized mishandling of some radioactive cobalt at Cairo University has heightened Egyptian concerns. To make room for examinations, the cobalt had been carelessly moved to a courtyard, where the lead shielding was stolen.

[]

The US Embassy believes these problems may delay a decision about building a power reactor. Nevertheless, the Embassy notes that Egyptian officials are still making positive statements about nuclear power, and it expects Egypt to go ahead with the nuclear power plant if difficult financing problems can be solved. The vice chairman of the Nuclear Power Plant Authority has told Western bidders that reaction to the Chernobyl' accident will fade and that he expects the selection process to be completed by 26 June, the day bids expire. []

In India, the government indicated its intention to continue its nuclear power program when it reacted to the Chernobyl' accident by emphasizing the safety of Indian reactors. On 8 May Prime Minister Gandhi told members of Parliament that Indian reactors are "100-percent safe" and no accident is possible. Atomic Energy Commission Chairman Ramanna told

the press that, unlike Soviet reactors, Indian reactors have all safety features. He also claimed that the Indian reactor operators are much better qualified than their counterparts in advanced countries. India has had more safety problems than these statements suggest, with a number of radiation leaks and equipment breakdowns reported. []

[] Gandhi, as a result of the Chernobyl' fire, has decided against purchasing a Soviet reactor at this time, but such a purchase was far from certain even before the Soviet accident. []

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The chairman of the Pakistan Atomic Energy Commission publicly stated that international inspections confirm the safety of Pakistan's power reactor and that additional safety measures are being taken at nuclear installations. Privately, the Pakistanis may be less confident—they have asked Canada, which built Pakistan's only power reactor, for help in checking its safety. []

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There is no evidence of a slowing of nuclear programs in other countries in the region. []

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[] Iran and Iraq have not mentioned publicly the safety of their nuclear programs—which are not likely to make significant progress until the Iran-Iraq war ends, in any case. According to the US Embassy, Syria still plans to acquire a Soviet research reactor and is considering obtaining a power reactor.

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In our view, the Middle Eastern and South Asian countries are going ahead with civil nuclear power programs primarily because they need electricity for economic development. All are probably more concerned about nuclear safety than they admit publicly, but they see no alternative to nuclear power over the long term. In most countries, decisionmakers

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may assume that the public will have forgotten the Chernobyl' accident by the time any major decision about nuclear power has to be announced. The cautious Egyptian reaction may have been dictated in part by the need to deal publicly with an important nuclear decision while the accident at Chernobyl' was still in the headlines.

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India: Back to the Golden Temple

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The assault by police and paramilitary forces on the Sikh Golden Temple on 30 April was better planned and executed than the attack that took place two years ago as part of Operation Blue Star. The latter attack involved large numbers of Army troops with artillery and tanks against a sizable force of heavily armed Sikh militants that had been allowed to become well entrenched in and around the temple and culminated in heavy casualties and much destruction. This year's sweep was carried out by police and paramilitary units under local control. Careful preparations by the authorities before the sweep prevented the militants from building up their forces in the temple, rendering them far less prepared to resist. As a result, the well-directed search-and-clear operation produced few casualties and no damage to the premises. The recent operation, however, failed to capture extremist leaders, and continuing violence in Punjab, particularly Sikh extremist attacks on Hindus, has forced moderate Sikh leaders to admit that the Army may eventually have to be called in to maintain internal security.

Operation Search

Open sources report the Punjab state government ordered a sweep, designated Operation Search, of Amritsar's Golden Temple and its surrounding buildings on 30 April to clear them of Sikh militant elements. The militants had been occupying these buildings since January and had proclaimed the establishment of an independent Sikh homeland—"Khalistan"—the previous day. An estimated 1,000 to 2,000 people were on the premises when the security forces moved in. Julio Ribeiro, Director General of the Punjab State Armed Police and the official in charge of the operation, commanded 3,000 men from the Punjab police, the Border Security Force (BSF), and the National Security Guard (NSG). Ribeiro preceded the action by reinforcing the BSF observation posts overlooking the temple and surrounding buildings, deploying BSF units in a cordon around the premises, and broadcasting appeals to those inside to come out. Only a few inhabitants left.

At about 1650, according to open sources, plainclothes police entered the hostel complex, a cluster of offices and resthouses just east of the temple complex. They gave everyone five minutes to clear out and then began searching the offices of the militant factions inhabiting the premises. About 20 minutes later, about 200 uniformed police and NSG members moved in to assist in the search, and some 200 people were rounded up.

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These same sources report that at 2230 about 600 NSG personnel moved into the temple complex and entered the Parikrama, the walkway around the pool in the center of which is the Golden Temple. About an hour later, some 125 to 150 inhabitants of the temple complex had taken refuge in the Golden Temple under the warning shots of the security forces. Although there was no exchange of fire reported, those who took refuge in the Golden Temple refused to come out until they were persuaded to do so by a senior temple priest.

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Ribeiro held a news conference at 0800 on 1 May at which he declared that the goals of the operation had been met. The security forces had captured one rifle, one 12-bore gun, one revolver, one pistol, 15 swords, 10 spears, and 20 cartridges, in addition to having arrested the 200 people in the hostel complex. One person was killed and three others injured in the operation; there were no casualties among the security forces. The operation's success was attenuated in that the militant leaders who had made the Khalistan announcement fled the temple complex before security forces entered and escaped arrest.

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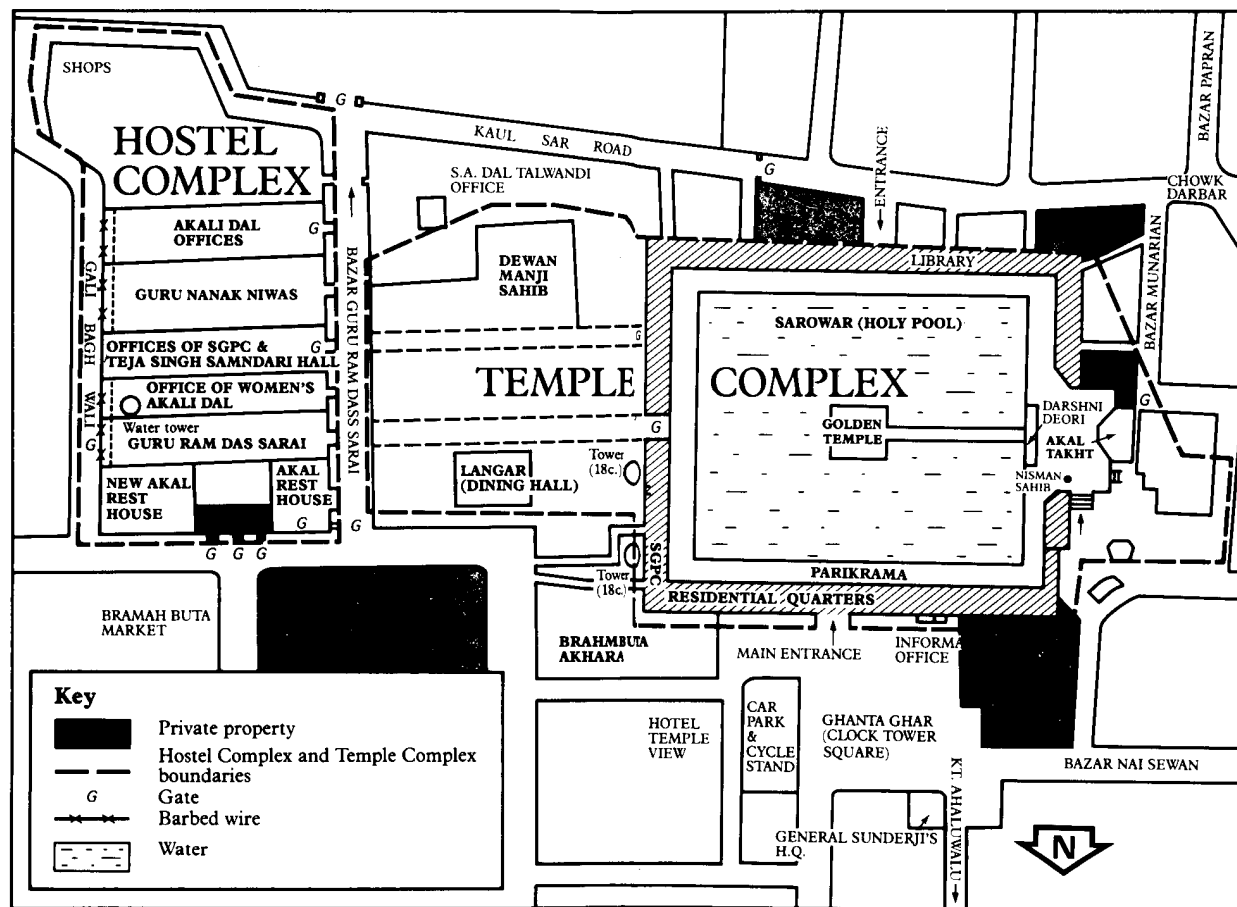
Ribeiro revealed that two other Sikh temples in the Amritsar area had been entered by the police simultaneously with Operation Search. He also said some police and paramilitary elements would remain in the hostel and temple complexes for the next few

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Golden Temple Complex

AMRITSAR
Mrs Gandhi's Last Battle

days to complete a survey of escape routes before returning the buildings to the Sikh temple management committee. These forces finally began withdrawing on 1 June.

Operation Blue Star

The Army assault on the Golden Temple two years ago was much bloodier. On 5 June 1984 approximately 1,500 Army troops supported by paramilitary forces, tanks, and artillery stormed the hostel and temple complexes, occupied by about 650 armed Sikh dissidents as well as 3,000 pilgrims and others trapped on the premises under the Army's two-day-old curfew, and cleared the area after an intense 24-hour battle, according to open sources. A confused and protracted stalemate between the authorities and the dissidents, along with lax security in Amritsar,

had allowed armed Sikhs to fortify and stockpile the two complexes. On 2 June New Delhi ordered Army and paramilitary forces in Punjab to carry out Operation Blue Star and remove the dissidents. Firing broke out around the temple, and the Army threw up a cordon around the area and began seizing some of the temple outbuildings. Securing the area proved more difficult, and a full assault was ordered against the two complexes. The Army blasted and stormed the dissidents' last stronghold in the Akal Takht the evening of 6 June after a full day of slow maneuvering and repulsed attacks that resulted in over 900 soldiers and militants being killed and severe damage being done to the temple buildings and grounds.

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The Contrast

Our analysis shows the security forces' performance in Operation Search contrasts sharply with Operation Blue Star. Security preparations kept Operation Search a relatively low-key police action against only a few temple inhabitants, a very different operation from the bloody assault the Army eventually was forced to mount in Operation Blue Star. The security forces' tight cordon around the area before Operation Search helped prevent large numbers of well-armed Sikh militants from establishing control over the premises, as they did in 1984. This cordon and the establishment of outposts on surrounding buildings before Operation Search was an improvement over Operation Blue Star, when police had been ordered not to come within 180 meters of the temple complex, and neighboring vantage points were held and heavily fortified by Sikh dissidents, according to open sources. Moreover, firing started a full four days before forces began entering the complexes in 1984, compromising the operation's surprise. Press reports say police have entered the complexes four times for minor raids in the two years since Operation Blue Star, and we believe the general efficiency and lower profile of Operation Search indicate that the security forces had access to much better intelligence on both the premises and the dissidents than in 1984. We also believe that effective security preparations and operational prudence helped keep casualties and damage to a fraction of what was suffered in Operation Blue Star. []

In our judgment, the execution of Operation Search exhibited sounder planning and better economy of force than Operation Blue Star. The April action was a carefully planned and executed clearance of sections of the hostel and temple complexes by small, well-trained groups of police and paramilitary personnel. The security forces this time cleared the hostel complex first, isolating the militants in the temple complex. They also did not repeat the excesses of using tanks, artillery, and large numbers of troops and even took pains to remove their shoes before entering some of the sacred buildings in deference to Sikh sensibilities. In 1984 Army and paramilitary forces stumbled through at least five different plans of action before securing the complex. At first the Central Reserve Police attempted to frighten the



J. F. Ribeiro, new Punjab police director general, outside Jalandhar courts after ambush on his policemen []

India Today

militants into surrendering by firing into the complex. When this failed, Army units arrived the next day in a show of force and engaged in firefights with the militants, hoping to frighten them into surrendering. Having twice underestimated the determination of the militants, the Army planned a simultaneous assault on the hostel and temple complexes. Paratroopers were assigned the task of advancing along a narrow alley behind the Akal Takht. Although the Army succeeded in seizing the hostels in their first assault, the paratroopers were driven back. The Army then planned a frontal assault on the main entrance of the temple complex, which also failed. A final assault on the entrance supported by tanks firing directly at the Akal Takht eventually succeeded. []

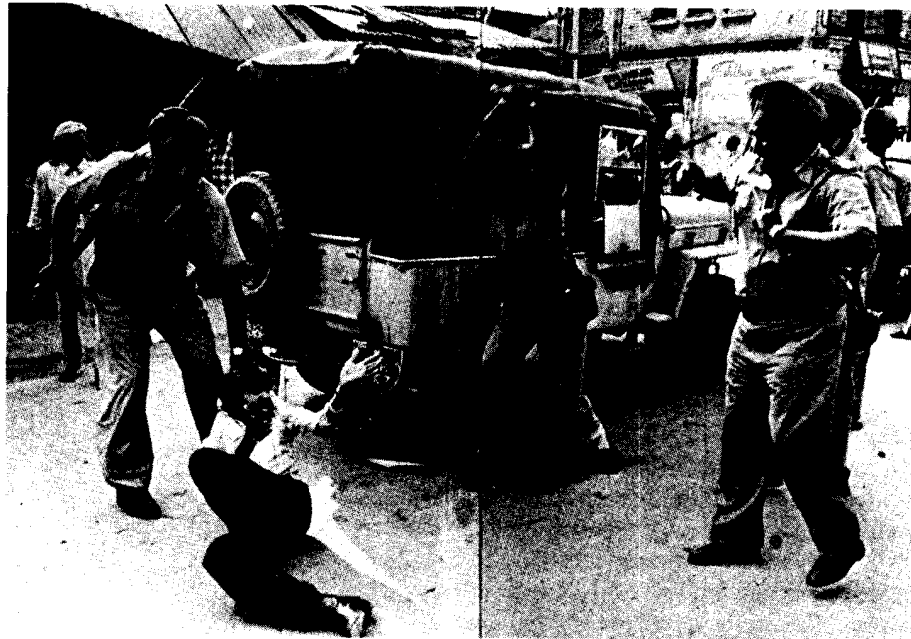
Political Conditions

Political conditions were more favorable this time for a successful and low-cost action. New Delhi took

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A lathi-wielding police force
with bolt-action rifles: unequal
to the challenge []



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pains to cultivate a largely united moderate Sikh government in Punjab. This helped produce a single authoritative Sikh voice at the state level that could respond to the problem without New Delhi's heavy hand and better assuage Sikh sensibilities in the process. State control also allowed Operation Search to remain solely a police and paramilitary operation. []

Operation Search began only after the Punjab state cabinet had reiterated its resolve to defeat secessionist elements inside the Golden Temple, helping gain support for the operation. According to open sources, Punjab Chief Minister Surjit Singh Barnala met secretly in New Delhi with senior federal officials on the evening of 29 April to discuss the Punjab situation in light of the militants' declaration of an independent Sikh state. Upon his return to Amritsar, Barnala held a closed door meeting with Ribeiro and senior police and paramilitary officers. Meanwhile, 51 of 73 Punjab legislators who belonged to the Akali Dal, the Sikh religious party, formally announced their backing of the temple sweep, presenting the action as a logical consequence of their party's resolution of 16 February calling on Barnala to free the Golden Temple from the militants. []

In 1984 Punjab was under presidential rule after Delhi had successfully used Sikh extremist leader Bhindranwale to undercut moderate Sikhs in the state. New Delhi ran the state directly, following the advice of P. S. Bhinder, then head of the Punjab police and a trusted Gandhi lieutenant. Bhinder feared a Sikh peasant uprising and treated the extremists with kid gloves. This allowed Bhindranwale to live in the temple complex for two years and to take three months to fortify it before Operation Blue Star. Sikh dissidents occupied the temple complex this year only since late January. []

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Implications for Internal Security

The successful operation, albeit against weaker resistance than two years ago, probably has improved the morale and effectiveness of the Punjab police and the paramilitary forces. Open sources indicate that Ribeiro has taken a strong lead in improving the effectiveness of the Punjab police, 80 percent of whom are Sikhs. Over the last five years, about 70 policemen

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*The National Security Guard
is better armed and trained for
internal security missions.* []



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have been killed and over 100 firearms have been lost to Sikh extremists. One hundred policemen have been dismissed for active complicity with terrorists. The Punjab police have suffered from a lack of appropriate weaponry—most are armed with Enfield rifles—poor living conditions, ineffective leadership, and low morale. Ribeiro was brought in on Barnala's insistence to turn the situation around, according to open sources. Ribeiro has played an active role, publicly arguing that the Punjab police—not the Army or the paramilitary forces—must handle the extremist problem. []

The recent temple operation, in our judgment, also has given a boost to the morale of the National Security Guard, India's newest paramilitary force. Created in the wake of Indira Gandhi's assassination and patterned after West Germany's GSG 9 antiterrorist unit, the NSG has reached a strength of about 2,600, [] These same reports indicate, however, that bureaucratic squabbling between the Army and the paramilitary forces and between Arun Singh, de facto Defense Minister, and Arun Nehru, Internal Security Minister, have resulted in morale problems and a low level of training. Army cadres who control recruitment and training have failed half of the paramilitary volunteers sent to them by the BSF and the Central Reserve Police, causing those organizations to stop sending potential recruits. Arun

Singh has taken advantage of the predominance of the Army to attempt to control the NSG but has thus far failed. []

Arun Nehru, we speculate, may have urged use of the NSG in the temple operation to improve morale by giving the unit what amounted to a realistic training operation. The NSG had been used in force only once before—to guard the homes of members of Parliament in August 1985 after one member was assassinated. []

The success of the temple operation has not significantly reduced the level of violence in Punjab. About 85 persons died in communal violence in May, leading Barnala to comment publicly that use of the Army to maintain civil order has not been ruled out. Open sources indicate that about 200 companies of paramilitary forces have been committed to Punjab, but this is at best a temporary arrangement that New Delhi cannot sustain if large-scale communal violence breaks out elsewhere in the country. []

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The Implications of Khalistan for Indian Defense Strategy

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An independent Khalistan, the name radical Sikhs give to a sovereign Sikh state, would seriously undermine Indian defense strategy, one of several important reasons New Delhi will make every effort to hang on to Punjab. The removal of Indian forces from this key state would sever India's principal logistic routes to Jammu and Kashmir, leading to the redeployment of most Indian forces opposite Pakistan. Loss of Punjab would also require the Indian Army to abandon its preferred invasion route into Pakistan and concentrate more military forces for a strike into the lower half of Pakistan's Sind Province. In the unlikely event Sikh separatists succeeded, India's strategy toward Khalistan would closely resemble New Delhi's military posture toward Nepal. Sikhs would remain an important source of manpower for the Indian Army, and New Delhi would consider Khalistan part of its inner security zone.

Losing Punjab

New Delhi's opposition to an independent Khalistan—based primarily on fears that a successful secession would lead to the gradual disintegration of the Indian Union—probably also includes an assessment of what an independent Sikh state would mean for India's defense posture toward Pakistan. Sikh extremists have offered contrasting views of Khalistan's geographic boundaries—ranging from a state incorporating most of northeastern India to a narrow entity stretching from Himachal Pradesh to the Rann of Kutch. We believe that even a much smaller Khalistan that included only the territory of Indian Punjab would require significant changes in India's defense posture.

Indian military forces stationed in Punjab form an essential link in New Delhi's defenses against Pakistan. As part of India's forward defense strategy, four infantry divisions, one mountain infantry division, one armored division, and two independent armored brigades are deployed in Punjab, some within 30 kilometers of the border. The approximately 100,000 men and 675 tanks in these units are tasked

with defending against Pakistani incursions by limiting territorial losses and launching counteroffensives in conjunction with forces in neighboring Haryana. The loss of Punjab probably would require withdrawing these divisions into Haryana and Himachal Pradesh, moving India's forward defense line to within 125 kilometers of New Delhi.

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The Indian Air Force would lose four key airfields—Adampur, Halwara, Pathankot, and Bhatinda—where four MIG-23 and four MIG-21 squadrons are based. The Indian Air Force might also find it prudent to move the two Jaguar and two MIG-21 squadrons at Ambala and the two MIG-21 squadrons at Chandigarh, which would be perilously close to India's new western border. Relocating these fighter aircraft, particularly the shorter range MIGs, farther east would greatly reduce their ability to operate over northern Pakistan.

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Isolating Jammu and Kashmir

The most important military result would be to make indefensible Indian-held territory in largely Muslim Jammu and Kashmir, whose status is the key territorial dispute between Pakistan and India. The key logistic line to the approximately 110,000 men and 480 tanks located there runs from central Punjab to Jammu. It runs perilously close to the Pakistani border, and Indian military planners expect it will be a prime Pakistani wartime target. There are no alternative land routes, and Indian military air transport assets—some 200 aircraft—cannot adequately supply these forces year round. Indian loss of Punjab would accomplish Pakistan's goal without firing a shot. Indian press articles assert that Indian intelligence believes the Pakistani Army has trained and equipped Sikh extremists with the objective of isolating Jammu and Kashmir.

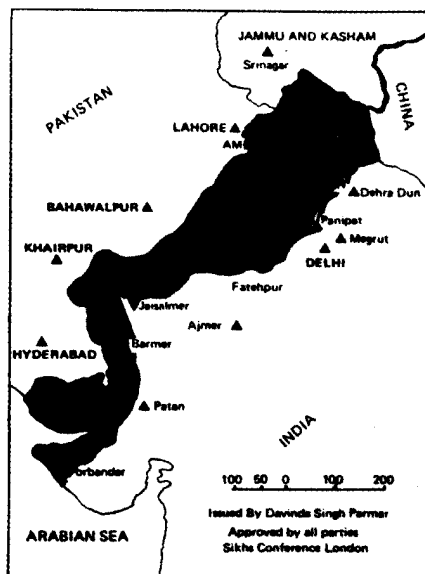
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Contrasting views of Khalistan



Alternative land routes could be built through Himachal Pradesh, but Indian forces there might also be isolated. Their logistic line runs through Chandigarh, which is scheduled to be turned over to Punjab as part of a boundary settlement with Haryana. If this key city became part of Khalistan—its population is overwhelmingly Sikh—Indian forces in Himachal Pradesh could be supplied only through air transport until new roads were built.

Invading Pakistan

We believe the loss of Punjab would require the Indian Army to change its preferred route for invading Pakistan.

the probable route for an Indian advance into Pakistan lies through southern Punjab and northern Rajasthan, from Bhatinda and Suratgarh in India toward Bahawalpur and Multan in Pakistan. This route over the open desert sidesteps the builtup urban areas near Lahore and the numerous rivers or canals that would impede an advance into Pakistani Punjab farther north.

In our judgment, an independent Khalistan would make this route untenable for the Indian Army. Without firm control of Punjab, the right flank of the main Indian Army force deployed against Pakistan

would be exposed. With or without Khalistan's approval Pakistani units probably would attempt to drive through the southwestern corner of Khalistan and attack Indian rear areas in northern Rajasthan. This probably would force the Indians to pay more attention to mounting a shorter advance through southern Rajasthan, from Jaisalmer to Rahimyar Khan or Sukkur in Pakistan, although the Indian logistic system is not as well developed for supporting an invasion along this route.

Dealing With Khalistan

In the unlikely event New Delhi could not prevent the formation of an independent Khalistan, we believe its military strategy toward the new state would approximate its military posture toward Nepal. Sandwiched between China and India, Nepal is regarded by Indian military planners as falling within India's inner defense ring. We believe Indian military planners would regard Khalistan's western border as India's strategic frontier, just as it does Nepal's northern border. India would forcefully oppose the occupation of Khalistan by Pakistan just as it would

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oppose any Chinese attempt to invade Nepal. It would also oppose Pakistani influence and work to extend Indian hegemony in Khalistan. [redacted]

New Delhi also would expect Khalistan to have a defense establishment similar to its small northern neighbor, in our judgment. Nepal's population of 17 million is almost identical to that of Punjab; Kathmandu maintains an army of 30,000 men. The principal wartime mission of the Nepalese Army, [redacted] is to secure sufficient time to mobilize international support in the event of either a Chinese or an Indian invasion. The Nepalese plan to rely on their mountainous terrain, extensive road and bridge demolitions, minefields, and antitank and antiaircraft weapons to forestall an easy capture of Kathmandu. [redacted]

We speculate that the emergence of an independent Khalistan would draw enough of the more than 100,000 Sikh soldiers in the Indian Army to fill a 30,000-man force or the more modest 10,000-man army called for by some Sikh extremists. We believe the long history of Sikh regiments in the Indian and British colonial armies would provide the base for a highly motivated and well-disciplined defense force. Organized into infantry battalions and armed with sizable quantities of antitank missiles and small numbers of armored vehicles, a Sikh army probably could take advantage of the area's numerous water obstacles and urban areas to present a defense capable of making an occupation costly for either Pakistan or India. Khalistan could also establish dual capitals, one in Amritsar and another in Patiala or Chandigarh, to prevent seizure of its seat of government in a short cross-border operation. [redacted]

We believe that even after the creation of an independent Khalistan, large numbers of Sikhs would remain in the Indian Army. Soldiering is an important part of the economy in Punjab, as it is in Nepal. Kathmandu permits the Indian Army to recruit 100,000 Gurkhas for the Indian Army.

Depending on the circumstances that led to the creation of an independent Khalistan, it is not inconceivable that those Sikhs who chose to remain in the Indian Army could be covered under a similar agreement between Khalistan and New Delhi. [redacted]

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Afghanistan-Pakistan: Air Attacks [REDACTED]

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Soviet and Afghan airstrikes into Pakistani territory have increased considerably during the past two months, but they are still confined to the border area. Although the airstrikes mainly reflect the increasing tempo of Soviet and Afghan military operations in eastern Afghanistan, they may also be meant to apply political pressure on Islamabad. US-supplied F-16 aircraft and missiles have improved Pakistan's air defenses but have not deterred the attacks. As long as Soviet and Afghan ground activity continues near the border, we expect airstrikes will continue at high levels. Islamabad is likely to use the continuing attacks to justify requests for more advanced military equipment from the United States. [REDACTED]

Cross-Border Air Violations Increase

Aircraft from Afghanistan have violated the Pakistani border at a substantially increased rate. According to the Pakistani Foreign Ministry, aircraft have crossed the border about 380 times so far this year compared with about 275 incidents in all of 1985 and only about 100 in 1984. Although we do not have precise statistics, airstrikes during the first few years of the war in Afghanistan almost certainly did not exceed the 1984 level. Roughly one-fourth of the air violations last year were bombing or rocket attacks, usually lasting less than 15 minutes. The others were probably reconnaissance flights in search of insurgent camps, or accidental overflights in the wake of bombing runs on the Afghan side of the border, [REDACTED]

[REDACTED] [REDACTED] airstrikes this year have caused increased casualties—mainly among Afghan refugees—and that airstrikes, which previously consisted only of four to six aircraft, now sometimes involve as many as 15 airplanes. The most aggressive attack so far occurred in January when several helicopter gunships strafed and rocketed a small Pakistani airfield and nearby farm houses at Parachinar for more than one hour. [REDACTED]

The attacks have been confined to the border area. Most attacks—as well as most overflights—have not penetrated Pakistani territory more than 9 kilometers, [REDACTED]

[REDACTED] The deepest attack, 25 kilometers, occurred in May 1985. The deepest overflight occurred in October when an airplane flew 100 kilometers into Pakistan, but the aircraft was experiencing a navigational malfunction, [REDACTED]

Aircraft from both the Soviet and Afghan Air Forces are violating the border, in our view. Pakistani border guards regularly distinguish between Afghan MIG-21s and Soviet MIG-23s. Cross-border attack missions in support of Soviet ground operations near the border are almost certainly flown by Soviet pilots [REDACTED]

We believe that the cross-border airstrikes are intended to support Soviet and Afghan ground operations in eastern Afghanistan. Nearly all the attacks have occurred along major insurgent infiltration routes into Afghanistan, [REDACTED] We believe that the attacks have increased significantly because Soviet and Afghan army units are operating more often near the border. [REDACTED]

A secondary purpose of the attacks is to put pressure on Islamabad to reduce its support for the insurgents, in our view. Cross-border air attacks usually increase moderately during UN-sponsored negotiations at Geneva, although always in the context of ground operations near the border. A Pakistani Foreign Ministry official told the US Embassy last April that Soviet and Afghan aircraft have recently begun to

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Stinger missile system

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attack Pakistani border posts to apply political pressure. [redacted]

Pakistan has had mixed success with its new defenses. Pakistani F-16s shot down at least two intruding aircraft, and possibly another, with five AIM-9L missiles in two incidents in April and May 1986,

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[redacted] On the other hand,

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units fired 16 Stingers—with only one confirmed kill and possibly a second—before withdrawing the missiles from the border in April because of technical problems. Pakistani border guards also have fired at least 15 Redeyes and SA-7s without success,

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[redacted] Pakistan has shot down three aircraft with heavy machineguns since 1978, [redacted]

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Islamabad's New Defenses and Tactics Achieve Mixed Results

[redacted] Pakistan has deployed new air defense missiles and adopted more aggressive tactics in the face of the increased air attacks:

- Islamabad began deploying surface-to-air missiles—Stingers, Redeyes, SA-7s, and French Crotales—to supplement its heavy machineguns beginning in mid-1985.
- Pakistan's F-16s began flying random patrols with AIM-9L infrared air-to-air missiles along the border last February.
- The quick reaction of Pakistani forces suggests that permission from the Defense Ministry before attacking intruding aircraft is no longer required.
- Islamabad purchased 50 to 100 Swedish RBS-70 laser-guided missiles in 1985 and seven Swiss Oerlikon radar-controlled air defense guns this year.

Islamabad's occasional successes have failed to deter Soviet and Afghan air attacks. [redacted]

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[redacted] border violations have continued immediately after each air loss. The most aggressive attack to date—the helicopter gunship strike against the airfield last January—occurred soon after the first shootdown of an aircraft by Stinger surface-to-air missiles. [redacted]

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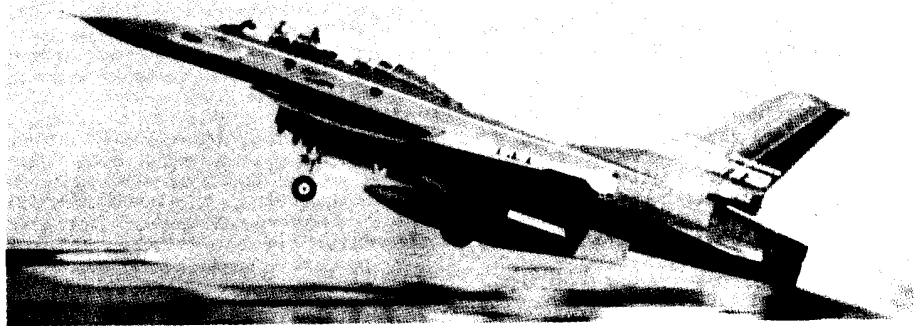
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F-16 armed with Sidewinder
air-to-air missile []



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Nonetheless, we judge that Islamabad believes its greater aggressiveness has served important purposes:

- The Pakistani military has shown the Soviets and Afghans that they cannot bomb the border area with impunity.
- Islamabad may believe that its new air defense missiles discourage deeper attacks.
- Pakistan has demonstrated—at a time when a second aid package is under consideration—that the Pakistani military can and will use US-supplied weapons to defend its airspace. []

Outlook

Air violations are likely to remain at higher levels as long as Soviet and Afghan ground activity continues near the border area. We believe Soviet and Afghan fighters will begin to accompany ground attack aircraft more regularly to protect them from the F-16s and may try to lure an F-16 into Afghan airspace. The US Embassy reports that the Pakistanis believe that Soviets and/or Afghans attempted to lure Pakistani F-16s into ambushes over Afghan territory early this year. Soviet and Afghan aircraft are armed with radar-guided infrared missiles that have a longer range than the AIM-9Ls but are less accurate. []

If Pakistan begins to use its surface-to-air missiles more effectively, Soviet and Afghan aircraft probably will fly higher—as they sometimes do in Afghanistan—to avoid the missiles. This tactic would reduce bombing accuracy and make the aircraft more vulnerable to Pakistani radar detection. []

Soviet and Afghan air violations probably will remain confined to the border area. We doubt the Soviets and Afghans will attack Pakistani military targets or insurgent headquarters in Peshawar and Quetta—cities that are 40 and 100 kilometers, respectively, from the border—because of concern about the US response and the likely international outcry. We believe that Moscow and Kabul calculate that the greatest utility of air attacks will continue to be against insurgent supply lines that are close to the border. Moscow and Kabul also probably believe that their sabotage campaign in the Pakistani border area—which caused about 50 deaths and 150 injuries last year—is as effective as deeper cross-border air attacks in intimidating Islamabad and harassing insurgents. In our view, the Afghan insurgents may be more influenced by the sabotage campaign than by the punishment inflicted by a bombing campaign. Because the campaign is occurring in areas that have a more direct impact on Pakistani citizens, it affords more opportunities to weaken Pakistani support for the insurgents. []

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Implications for the United States

Islamabad will ask the United States for increased military assistance to counter the airstrikes, in our view. Pakistani officials will almost certainly renew their requests for more AIM-9L missiles, and they may ask for the Stinger Post—an advanced version of

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the Stinger scheduled to enter the US inventory next year—because they still probably believe that it is a technologically superior missile. Islamabad may also formally request the E2-C Hawkeye airborne surveillance aircraft and the Improved-Hawk, a medium-to-high-altitude air defense missile system that would enable Pakistan to attack nearly all intruding aircraft. Because of the E2-C's and I-Hawk's high price—about \$200 million—Islamabad may renew its request for supplementary aid outside the regular foreign military sales program.

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Afghanistan: Najibullah Settles In []

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New Afghan party chief Najibullah is moving quickly to consolidate power, although opposition within the ruling People's Democratic Party remains. He is focusing on strengthening the party and the army, using his good tribal ties to undermine the resistance, and launching a major effort to attract refugees back to Afghanistan. Despite his efforts, the regime probably will not make much headway against the insurgency because of the government's longstanding problems—party factionalism, a weak military, and the absence of popular support. []

Removing Babrak Karmal

Babrak Karmal's ouster as party chief came amid signs of growing impatience in Moscow at his inability—after more than six years of war—to build an effective party apparatus, broaden popular support, or strengthen the Armed Forces. Babrak was also removed because he did not believe his government could survive the withdrawal of Soviet troops, [] and said as much to Gorbachev. At the 27th Soviet Communist Party Congress in February, Soviet leader Gorbachev announced that the Soviet Union and Afghanistan had worked out a timetable for Soviet troop withdrawal. Karmal made no reference to this during his speech to the congress and instead suggested that Afghanistan was not ready to stand on its own. Although we doubt that the Soviet Union is ready to leave Afghanistan any time soon, there probably is considerable tension between Kabul and Moscow over the peace negotiations in Geneva and the sensitive issue of a withdrawal timetable. Officially, Babrak requested to be relieved of his party duties because of poor health. []

Najibullah was probably selected by Moscow in hopes that he could build a more effective regime. He is a proven administrator who, as head of the Afghan intelligence service, increased its size and effectiveness dramatically, orchestrated two highly publicized tribal councils, and masterminded Kabul's destabilization program in Pakistan's border regions.

Najibullah, moreover, is close to the KGB and, as an ethnic Pashtun, knows how to manipulate Afghanistan's eastern tribes. []

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The Transition

Despite Moscow's apparent support for Najibullah, the transition was contentious. The Central Committee plenum that elected Najib met amid tight security for three days—an indication that some high-level party leaders were opposed to the move. Demonstrations by students and women also occurred. Anahita Ratebzad—Babrak's mistress and a Politburo member who heads the national women's organization—was opposed to his removal. Scattered protests continued for a week or so in Kabul, according to the US Embassy. []

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Strong party opposition to Najibullah's advancement may have prompted the Soviets to keep Babrak on the Politburo and as President of the Revolutionary Council. [] senior party members concerned about Babrak's extended visit to Moscow in April threatened Soviet supervisors working in their ministries with bodily harm unless the Soviets returned Babrak to Kabul. Regime media are portraying the transition as a move to a triumvirate, with Najibullah as party head, Babrak Karmal as chief of state, and Prime Minister Soltan Ali Keshtmand as head of government. []

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Nevertheless, the transition has proceeded fairly smoothly—there was no bloodshed—and security in the capital is back to normal. According to the US Embassy in Kabul, most Politburo members—with the exception of Babrak and Anahita Ratebzad—were dispatched to the provinces in mid-May to explain the change in leadership to concerned party members. Najibullah's other major opponents—Interior Minister Gulabzoi and Defense Minister Nazar Mohammad—have either publicly endorsed

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Najibullah or appeared by his side at public ceremonies since his promotion, indicating at least tacit acceptance of his new status. []

We believe the leadership triumvirate will gradually shrink as Najibullah puts his own team in positions of power. Babrak and Keshtmand are rarely seen in public. [] Foreign Minister Shah Mohammad Dost, Defense Minister Nazar Mohammad, and Education Minister Qayyumi are slated for removal in the next several weeks. []

Najibullah's Agenda

Najibullah's most formidable challenge will be to build strong institutions of state control, especially the army. He will almost certainly try to meet Soviet demands that the Afghan Armed Forces assume more of the burden of fighting the war. Najibullah will also be under pressure to repeat the army's success in April in overrunning an insurgent base camp in eastern Afghanistan. []

Najibullah's ability to subvert border tribes in order to interfere with resistance resupply activities will be a major factor in determining the success of this strategy. Most observers believe that Najibullah's Pashtun heritage and proven ability as intelligence chief to work with border tribes suit him to the task, but tribal loyalties are notoriously fickle and he will probably make only limited gains. []

Kabul and Moscow are sure to continue their campaign of military pressure and sabotage against Pakistan—which Moscow almost certainly views as the weak link of the insurgency. Air violations of the Pakistani border have escalated markedly in recent months, and bombings in Peshawar occur frequently. []

Najibullah also has a mandate to widen the public appeal of the regime, in part by improving party discipline and performance. Soviet media coverage of Najibullah's early public statements highlight his attacks on party laxity, corruption, and ineffectiveness at the local level. In particular, "faulty implementation" of policies aimed at tribal minorities, students, and businessmen was cited. These

statements suggest that Najibullah will intensify Babrak's effort to broaden the social base of the regime by appealing to tribal leaders, ethnic representatives, and clergymen—with whom he has already met. []

Apparently as part of this effort, Najibullah said in a speech in late May to religious leaders in Mazar-e Sharif that the government would establish a bicameral legislature, or *shura*, in the next few months. The legislature is to consist of a council of nationalities—with equal representation of all ethnic groups in Afghanistan—and an elected council of representatives of the people. Najibullah invited resistance participation in the election, presumably in the hope of encouraging resistance defections. []

Kabul is also trying to lure refugees back to Afghanistan to gain political legitimacy. In late May Najibullah directly appealed to the refugee community, calling for reconciliation with "those of our countrymen who are wandering abroad in misery." His statements follow earlier reports indicating that Kabul has established a commission to oversee land distribution to returning refugees and has instructed its embassy in India to encourage refugee return. []

Prospects

The longer it takes to unify the party around its leadership, the more difficult it will be for Najibullah to address the regime's serious weaknesses—a demoralized army and ineffective local party control. Najibullah's appointment has brought to the surface serious divisions within even the dominant Parchami wing of the party, and his reputation for ruthlessness against the rival Khalqi faction suggests that opposition to his appointment in the military, where Khalqis dominate, is bound to arise. In this environment, he will be hard pressed to raise morale in the army and improve its effectiveness. []

Barring a collapse of external support for the resistance, it is unlikely that Najibullah will be able to make serious inroads against the insurgency in the

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near term. His appeal for resistance participation in the legislative election will have little effect, in our view, because the insurgents consistently reject participation in a Communist-dominated government. Nevertheless, Najibullah will probably capitalize on the regime's recent marginal gains in some urban areas and in northern Afghanistan to redirect military forces to and increase pressure in the east, particularly against insurgent resupply and operations.

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Bangladesh: Implications of Parliamentary Election

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The Bangladesh parliamentary election on 7 May, although tainted by fraud and violence, will provide some legitimacy for President Ershad as he moves toward a presidential election and lifting martial law later this year. Ershad plans to use progovernment forces in parliament to pass a constitutional amendment ratifying his actions during four years of martial law. We expect the amendment to be approved; the leftist Awami League failed to gain the necessary seats to block it. The other major opposition party, the centrist Bangladesh Nationalist Party (BNP), boycotted the election and plans to pursue a disobedience campaign. The Army is unhappy that the progovernment party did not win more seats but will continue its grudging support of Ershad. Parliamentary sessions are likely to reflect the chaotic nature of Bangladesh politics, with Ershad's proposals for economic reform and privatization taking a back seat to political horsetrading and grandstanding.

Ershad pulled off the parliamentary election after months of wrangling with the Awami League and the BNP. According to US Embassy reporting, Ershad secured the Awami League's agreement to participate in the election in return for relaxing martial law, moving back the election date, and promising to remain neutral during the campaign. The BNP refused to compromise with Ershad and boycotted the election, charging that the polls would be rigged by both the progovernment Jatiyo Party and the Awami League.

Election day was marred by violence and massive vote fraud by the Jatiyo Party and, to a lesser degree, the Awami League, according to US Embassy and press reports. Bangladesh officials admitted that 12 were killed in election violence, but press reports claim 20 dead and 500 injured. US Embassy officers reported seeing ballot boxes being stuffed and polling agents kidnaped. Midway through the vote count, the government stopped reporting results. It later

announced that voting for 36 seats would be completed on 19 May because of "irregularities." The US Embassy estimates voter turnout at a maximum of 30 percent.

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Winners and Losers

The Jatiyo Party, which Ershad helped organize from smaller parties about a year ago, emerged from the election with a small majority (183 out of 330 seats). US Embassy reporting indicates that Ershad wanted a two-thirds majority so that he would have the necessary votes—220—to pass a constitutional amendment to legitimize the actions of the four-year-old martial law regime.

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The leftist, pro-Indian Awami League won 76 seats, and seven smaller parties allied with the League together won 21 seats. The fundamentalist Jamaat-e-Islami won 10 seats, the conservative Muslim League received four, the leftist National Socialist Party took four, and independent candidates won 32. The Awami League's showing was better than in the last parliamentary election, held in 1979, but below the 111 seats that Awami leader Sheikh Hasina needed to block Ershad's constitutional amendment.

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Sheikh Hasina considered boycotting parliament because she suspected vote tampering prevented her party from winning even more seats, according to US Embassy reporting.

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Hasina is now demanding that, in return for the Awami League's taking its seats in parliament, Ershad must restore the suspended 1972 Constitution, try the accused killers of four Awami League leaders, and declare Mujib Ur Rahman—the first President of Bangladesh and Hasina's father—as the "father of Bangladesh."

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Riot police out in force on election day [] Far Eastern Economic Review

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Ershad's Strategy

After getting the new parliament to legitimize his martial law actions, Ershad intends to win the presidency and then lift martial law, according to US Embassy reporting. We believe he plans to hold a presidential election by November when his term as Chief of Army Staff expires. In the meantime,

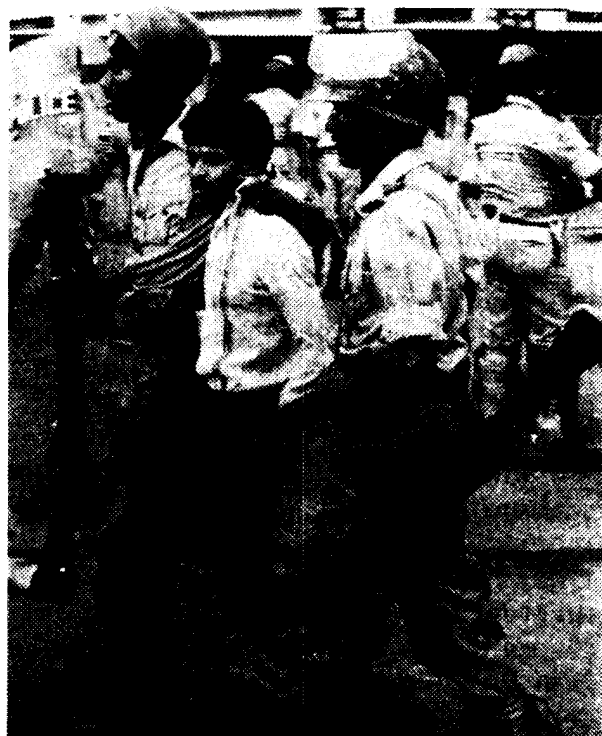
[] Ershad intends to issue a martial law order declaring himself president on the basis of a March 1985 referendum. Ershad recently told US Embassy officials that he will also choose a prime minister in consultation with Jatiyo Party members of parliament. []

Ershad has told US Embassy officials that martial law cannot be completely lifted until his position as president has been secured, either through a popular election or martial law decree. []

Army Concerns

Senior Army officers, who often heavily influence Bangladesh politics, have been critical of Ershad's heavyhanded efforts to advance his political goals and make deals with civilian politicians. We believe, however, that the most disgruntled Army officers are too disorganized to act against Ershad, while others see him, for all his faults, as an adequate protector of the military's interests. []

[] Army generals have expressed fears that the Awami League may be able to block passage of the constitutional amendment



Police arrest protesters on election day [] Far Eastern Economic Review

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and leave them open for prosecution for acts taken under martial law. Ershad responded that, if the League obstructed passage of the amendment, he would use his martial law powers to dissolve parliament. []

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[] some Army officers are concerned that Ershad might cut a deal with the Awami League in return for the League's not contesting the presidential election. The military, which is politically conservative, distrusts the leftist platform of the Awami League. []

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Outlook

We expect the parliament to convene sometime in July. To maintain the military's support, Ershad is unlikely to show any flexibility on Sheikh Hasina's key demands for restoration of the Constitution, trial of the accused killers of Awami League leaders, and honoring of Mujib Ur Rahman. He calculates, probably correctly, that the Awami League will agree

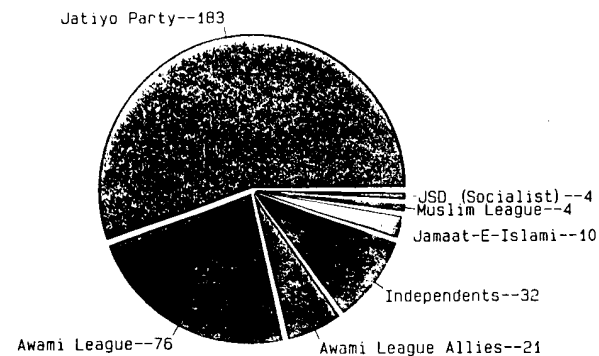
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BREAKDOWN OF PARLIAMENTARY SEATS



300 of the 330 seats were up for election. The Jatiyo Party gained the additional 30 seats by winning a majority.

[redacted] eventually to take its seats in parliament to forestall another possible military coup and the potential defection of party members who would be upset at the prospect of losing hard-won seats. The Army will remain suspicious of Ershad's dealings with the Awami League but will probably not move against him except in the improbable event of an Ershad-Awami League alliance. If Ershad dissolves parliament and reimposes martial law, which we consider unlikely, the Army would have few alternatives to continuing to support him. [redacted]

We believe Awami Leaguers and independent members of parliament eventually will go along with the constitutional amendment in return for restoration of the 1972 Constitution and a timetable for the lifting of martial law. [redacted] independent legislators are already being bribed to vote with the Jatiyo Party on the amendment. [redacted]

Relations between Ershad and parliament will be strained if, as now seems likely, he delays the lifting of martial law until after the presidential election.

Constitutional Role of Bangladesh's Parliament

Bangladesh's parliament, called the Jatiyo Sangsad or House of the Nation, is a unicameral body consisting of 330 seats. Three hundred seats are popularly elected, while the remaining 30 are reserved for women and go to the majority party as bonus seats. According to constitutional amendments passed in 1975, the parliament is elected every five years, meets twice yearly, and any legislation it passes may be vetoed by the president without any override provisions. A constitutional amendment, however, requires the consent of two-thirds of the members. [redacted]

Probable Jatiyo Party factionalism will hinder Ershad's efforts to build and maintain support for his legislative initiatives. [redacted]

We believe that the BNP, by its boycott of the election, will gradually lose public support and become only a nuisance to Ershad once parliament gets down to business. The BNP has canceled plans to hold demonstrations to disrupt parliament because of a lack of organization and finances. [redacted] the BNP is considering running its leader, Begum Zia, against Ershad in the presidential election. [redacted]

[redacted]

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Sri Lanka: Insurgent Rivalries

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The two largest Tamil insurgent groups are approaching a showdown in the struggle for dominance of the separatist movement. Both groups are less dependent on Indian support, jeopardizing India's ability to negotiate a political settlement between the Tamils and Colombo. The Sri Lankan Government is likely to face increased Tamil attacks against Sinhalese civilians and economic targets as the two insurgent groups compete with each other, and smaller insurgent groups seek to demonstrate their fighting capability. Even if New Delhi brokers a settlement between Tamil moderates and the government, insurgent rivalries and increased foreign support suggest that at least some insurgents are likely to continue antigovernment attacks.

Rivalries Heat Up

The longstanding rivalry between the two largest Tamil insurgent groups has greatly increased in recent weeks. The Liberation Tigers of Tamil Eelam (Tigers), the second-largest group, have undertaken operations to gain control of the Tamil separatist movement. A four-day battle in early May between the Tigers and another group—the Tamil Eelam Liberation Organization (TELO)—resulted in de facto Tiger domination of the Jaffna Peninsula and severely weakened TELO's fighting strength. The battle was preceded by a series of abductions and executions by both sides, culminating in the Tiger attack on TELO strongholds and the execution of TELO leader Sri Sabharatnam.

The only group capable of challenging the Tigers' bid for control of the insurgent movement is the People's Liberation Organization of Tamil Eelam (PLOTE), the largest insurgent group.

PLOTE is already preparing to fight the Tigers. PLOTE leader Uma Maheswaran believes the Tigers' next step will be to launch an all-out attack against his organization to ensure and consolidate Tiger supremacy over the Tamil liberation movement. PLOTE has been husbanding its resources, carrying out only limited strikes against

government installations, and refusing to commit its forces in large-scale fighting.

PLOTE may launch a preemptive strike against the Tigers, if only to ensure its own survival.

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The Tiger push for dominance has also severely weakened the insurgents' fragile alliance, the Eelam National Liberation Front, composed of the Tigers, TELO, and two other insurgent groups. Although the alliance has been plagued with disagreements and difficulties since its inception in 1984, the problems peaked with the clash between the Tigers and TELO.

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Press reports indicate that the Tigers have withdrawn from the coalition, having become fed up with the political infighting and lack of discipline among the group's members.

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Tiger leader Prabakaran no longer believes in the alliance as a vehicle to achieve a meaningful solution to the ethnic problem, stating that internal problems and divisions hinder progress. Prabakaran believes that he is the only leader—and the Tigers the only organization—that can resolve the ethnic crisis to the lasting advantage of the Tamil people.

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If the Tigers abandon the alliance, New Delhi's mediation role will become even more difficult. The Tigers have consistently been the most militant members of the insurgent coalition, usually dissenting against the group's decisions. Although the alliance without the Tigers would probably be less rigid regarding conditions for a peace settlement, a separate Tiger group could prove more debilitating in the long run. Acting on their own, the Tigers will surely try to sabotage any settlement that does not provide for a separate Tamil state by increasing its terrorist attacks on Sinhalese civilian areas and economic installations.

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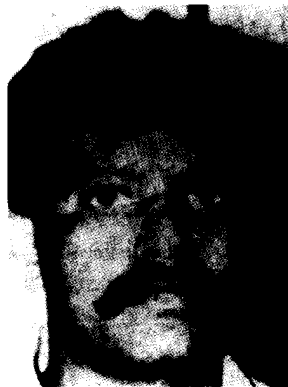
NESA NESAR 86-013
6 June 1986

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Main Tamil Insurgent Groups and Leaders

Uma Maheswaran [redacted]

India Today



Vellupillai Prabhakaran [redacted]

Sunday

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People's Liberation Organization of Tamil Eelam

The People's Liberation of Tamil Eelam is the largest insurgent group, with an estimated 10,000 members. The group is led by Uma Maheswaran, 41. Since escaping from a Sri Lankan prison in 1983, Maheswaran has tried to gain power within the insurgent movement. Until 1980, he and Tiger leader Prabhakaran were allies, but Prabhakaran allegedly murdered a woman Tamil activist close to Maheswaran, touching off a bitter personal rivalry. [redacted]

[redacted] Maheswaran's group is committed to organizing a mass guerrilla movement aimed at establishing an independent, socialist Tamil state in Sri Lanka. [redacted]

Liberation Tigers of Tamil Eelam

Velupillai Prabhakaran, about 31, is the leader of the second-largest insurgent group, the LTTE or Tigers, which we estimate is 5,000 strong. He is a loner with an authoritarian leadership style and insists on approving all major Tiger decisions. Unlike Maheswaran, he favors terror tactics to force the government to allow an independent Tamil state. He has feuded with or attempted to absorb members from all major insurgent groups. [redacted]

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Other groups include the Tamil Eelam Liberation Organization, now in disarray but probably retaining a membership of 2,000; the Eelam People's Revolutionary Front, with an estimated strength of 1,500; and the Eelam Revolutionary Organization of Students, probably about 1,500 strong but likely to come under Tiger control. [redacted]

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New Sources of Support

Both the Tigers and PLOTE are diversifying their sources of arms and funding to ensure independence from Indian control. The Tigers have declared publicly that "the Eelam struggle is now . . . freeing itself from Indian diplomacy and striking out on its own." Tiger spokesman Balasingam said in a recent press interview that the group had reduced its training camps in India from 10 to one and that they planned to move Tiger headquarters from Madras to Sri Lanka. [redacted]

[redacted] Tiger guerrillas are receiving training in Nicaragua from Sandinista and Cuban instructors, and [redacted] New Delhi suspects, but cannot confirm, that the Tigers are acquiring arms from unidentified radical states in the Middle East. The Tigers also use at least one large ship to receive arms shipments at sea from larger vessels and transport them to their base camps in southern India. [redacted]

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The Tigers receive substantial income from their drug-smuggling operation in Jaffna, [redacted] [redacted] One kilogram of heroin will net \$2,500 for sale in Sri Lanka—enough money, we estimate, to maintain a moderate-size insurgent training camp for a month. A single drug-trafficking run to the Middle East can yield \$55,000. [redacted]

PLOTE, too, has given India notice that, although it welcomes New Delhi's aid, it will not become dependent on Indian support. PLOTE has established offices in Europe, Canada, and the Middle East and has demonstrated its ability to procure and transport arms independent of India. [redacted]

[redacted] in early 1985 the Indian Government intercepted a PLOTE munitions shipment from Singapore as it was being unloaded in Madras. Maheswaran recently warned Indian officials that, if New Delhi did not start supporting PLOTE, his group would seek increased assistance from friendly socialist states abroad and could smuggle arms into south India through corrupt state government and customs officials. We believe PLOTE is capable of continuing operations even if New Delhi curtails or limits its support for Tamil insurgents. [redacted]

Indian Concerns

The Indians are alarmed over the ferocity of the infighting among the Tamil insurgent groups. Although the Tigers were formerly the favored children of New Delhi, their attack on TELO has forced India to reconsider its support for them.

[redacted] India is concerned that the Tigers may soon be beyond Indian control, and it therefore plans to rearm TELO and three other groups to counterbalance Tiger power. Indian efforts may be too little, too late, however, in light of the Tigers' success in securing non-Indian sources of support. [redacted]

We believe New Delhi has good reason to be concerned about insurgent disunity. Inability to present a united front during peace negotiations will make it virtually impossible for India and the Tamils to wrest meaningful concessions from Colombo. [redacted]

A protracted insurgency, compounded by internal divisions, will also have long-term negative effects in

southern India. Already, [redacted] the steady influx of Tamil refugees from Sri Lanka has begun to take its toll on the resources of the Indian state of Tamil Nadu and on the patience and good will of its citizens. [redacted]

New Delhi's reaction to Sri Lanka's stepped-up operations in mid-May against Tamils in Northern Province, although critical, was noticeably restrained. Prime Minister Gandhi urged President Jayewardene not to abandon efforts for a negotiated settlement and appealed to the government to end attempts for a military solution, noting that such action would only worsen the situation. The Indian-sponsored peace talks came to an abrupt halt in late May, however, when New Delhi announced that it was suspending negotiations for the time being. Despite this announcement, we doubt that the Indians will let up on efforts to secure an agreement between moderate elements of the two sides. We believe they may begin to focus their peace efforts on Sinhalese moderates. [redacted]

Colombo's Response

Following the Tiger/TELO fighting, President Jayewardene saw an opportunity to inflict a decisive blow on the weakened militants while at the same time reasserting government authority in the Tamil-controlled north. [redacted] Jayewardene also hoped to demonstrate to the Sinhalese public that the government was not impotent in the face of increasing Tamil terrorism. Government forces launched a "road-clearing operation" on 17 May, which was, in fact, a military strike at the Tamil heartland. [redacted]

Government spokesmen claimed the operation achieved its road-clearing objective, but the militants remain in control of Northern Province, and government troops remain stationed in their base camps, fearing militant attacks. [redacted] Jayewardene believes the operation was a failure. [redacted]

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Colombo's handling of the Tamil problem has met with increasing criticism from the Sinhalese community and from New Delhi. []
 [] the President is under fire from his own party and from the Sinhalese electorate for his inability to counter the growing Tamil terrorist threat. The stagnation of the peace talks, coupled with the new insurgent strategy targeting economic installations and Sinhalese civilians, is likely to steer Colombo more toward a military solution of the dispute, much to New Delhi's dismay. []

Continued insurgent rivalry will give Colombo a pretext and an opportunity for new military offensives against Tamils, which, in turn, will probably lead to a new round of Tamil violence against Sinhalese. The increasing factionalism within the government is fueling speculation of a possible rift between Sinhalese hardliners and moderates, and it is likely to further confound the peace process. []
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Outlook

Both the Tigers and PLOTE have considerable resources to expend, and both would probably do their utmost to ensure victory in the event of a clash between them. We believe, however, that neither group could decisively defeat the other. []

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We believe that, even if India cracks down on the Indian-based Tamil groups by denying arms, training, and funds, it could still not contain the Tigers. The Tigers could regroup on the Jaffna Peninsula relatively quickly; plans to relocate their operational headquarters are already under way. []

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If New Delhi manages to secure an agreement between Colombo and Tamil moderates, it could probably force the smaller Tamil militant groups to accede to the proposals. We doubt, however, that the Tigers will be a party to any settlement that does not provide for a separate Tamil state, and they will probably attempt to confound any settlement by increasing terrorist attacks against civilian targets. Colombo could face widespread anti-Tamil rioting in Sinhalese areas, including the capital. []

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PLOTE is the insurgent group most likely to take part in a negotiated settlement with Tamil moderates, especially given PLOTE's long-term goal of an islandwide socialist revolution. Even if PLOTE acceded to a settlement, we expect it to continue antigovernment or antimoderate operations and to continue courting Sinhalese leftists. []

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Near East and South Asia Briefs

Egypt

Muslim Brotherhood Moving To Prevent Crackdown

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The Muslim Brotherhood is trying to dampen government fears of a militant takeover of the organization following the death last month of Brotherhood leader Umar Talmassani. The Brotherhood may allow interim leader Muhammad Hamid Abu Nasir, a moderate, to remain in office indefinitely without a formal election. This follows the pattern of leadership succession that brought Talmassani to power in 1974. Abu Nasir, the most senior member of the Brotherhood's Guidance Council and a follower of Talmassani, is likely to be acceptable to the various Brotherhood factions as well as the government. In addition, Mustafa Mashur, the leader of the militant faction and a former official in the Brotherhood's secret militia, is minimizing the prospects for a power struggle, according to Egyptian press reports. Last March, militants nominated Mashur to succeed Talmassani, leading the government to warn Brotherhood moderates privately that it would not tolerate a more confrontational organization,

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Most Brotherhood members probably believe the organization should continue its moderate tactics to avoid a crackdown by the government. Cairo is growing wary of fundamentalist groups of all stripes because of the surge of Islamic militancy over the last several weeks. The US Embassy in Cairo says that some high government officials are hardening their attitudes toward political involvement by religious groups.

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India-Pakistan

Limited Antinarcotics Cooperation Foreseen

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New Delhi and Islamabad have made halting steps toward cooperation in antinarcotics programs, but both sides face powerful political constraints to making the changes required to affect significantly narcotics trafficking in the region. Both Pakistan and India put a low priority on narcotics control but hope to enhance their claim to South Asian leadership through cooperating on relatively noncontentious issues such as joint antinarcotics programs. We believe that the proposed joint border patrols and the sharing of smuggling information and intelligence reports have the potential to reveal embarrassing details of poor border security, local official corruption, and cross-border movement of militant Sikhs and other antiregime elements. Senior Indian and Pakistani officials have assured US diplomats that they are committed to seeking better bilateral cooperation, but, since the announcement last February of a six-point bilateral antinarcotics program, US Embassy reports chronicle the failure of both sides to attend scheduled meetings or to institute proposed programs. We believe the slowdown in

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bilateral antinarcotics efforts this spring parallels a general downturn in Indo-Pakistani relations. Middle and lower level antinarcotics officials on both sides, no matter how well-intentioned, are unlikely to get ahead of national leaders in an area of such political sensitivity. In our view, Indian and Pakistani officials will continue to drag their feet on joint antinarcotics cooperation, reflecting both New Delhi's and Islamabad's unwillingness to place a higher priority on drug control matters and the strength of outstanding political problems between the two states.



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